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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2211

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EAST EUROPE REPORT

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YUGOSLAVIA

MEASURES TO IMPROVE PLANNED MANAGEMENT IN AGRICULTURE

Prague ZEMEDELSKE NOVINY in Czech 6 Nov 81 Supplement pp 1-8

[Supplement to ZEMEDELSKE NOVINY: "Measures for Improving the Planned Management System in Agriculture Beginning in 1982; passages enclosed in slant lines printed in boldface]

[Text] The Government of the CSSR, during its proceedings of 17 September 1981, passed measures for the improvement of the planned management system in agriculture beginning in 1982." In view of the importance of the measures which were adopted, we are publishing supplements representing a portion of Government Resolution No 249/81 on this issue. These supplements contain new regulations for agricultural planning, changes in economic instruments, especially in the pricing of agricultural necessities and in the purchase prices of agricultural products, and new principles for the implementation of the economic incentive system. We will be returning gradually to individual measures with a more detailed, expert interpretation.

I. Rule for Improving Planning in the Agroindustrial Complex and in Agriculture

(Excerpt from supplement No 1 of CSSR Government Resolution No 249/81)

A. Planning within the Framework of the National Economic Agroindustrial Complex (the Foodstuff Production and Consumption Complex) A broad and multifaceted intersectorial division of labor, its further intensification, the development of science and technology and the forces of production, and the level which has been achieved in the intensiveness and productivity of agricultural production and the production of foodstuffs all require the planning and assurance of foodstuff production within the framework of all the sectors which comprise the national economic agroindustrial complex.

/In the preparation, formulation, and implementation of plans, it is essential to assure the active cooperation of those ministries which make up the agroindustrial complex (the agriculture and food sectors, FMVS [Federal Ministry of General Engineering], FMHRS [Federal Ministry of Metallurgy and Heavy Industy], FMPE [Federal Ministry of Fuels and Energy], FMZO [Federal Ministry of Foreign Trade], the ministries of industry, construction, health and of forest and water management of

the CSR and the SSR) in the creation of the material, economic, and organizational preconditions for the planned volume and qualitative increase in agricultural production and the production of foodstuffs, primarily by means of the consistent provision of all the production assets and preconditions for technical development and capital investment, while assuring the effectiveness of social labor inputs./

On the basis of the established methodology, the federal and national sectors comprising the agroindustrial complex will submit proposals of plans for intersectorial relationships to agricultural and foodstuff production, following mutual discussions of the State Planning Commission with the planning commissions of the republics and between the pertinent federal and republic-level branch departments.

/Branches reponsible for delivering the production equipment and for assuring production services are to formulate, negotiate at an interdepartmental level, and submit, as a component of their proposed plans, a plan for the assurance of the developmental needs of the agricultural and foodstuff industries, which will form the basis for national economic five-year economic plans and for long-range projections./

The proposals for these plans are formulated, depending on the nature of the deliveries from specific supplying departments, in aggregate volumes expressed in terms of value, especially in the case of deliveries for agroindustrial complex investment and deliveries of spare parts within major, specified material deliveries (especially budgeted items of the state plan, budgeted items approved and regulated by central agencies, and additional agreed upon items), the schedule for deliveries of innovative products, and deliveries of raw materials, components, and products for the assurance of the implementational outputs of the state and sectorial plan for VTR [scientific and technological development].

/After the approval of the state national economic five-year plan, it is essential to create the conditions, in the branches of suppliers of production equipment, for guarantees of the assurance of deliveries, as well as their level of sophistication. /

On the basis of the methodology of the comprehensive plan for the agroindustrial complex, the agriculture and food sectors submit to the central planning organs proposals for a plan for the purchase of agricultural products, as well as the most important aggregated indicators characterizing agricultural development, the production and deliveries of the foodstuff industry to consumer goods inventories, including specified deliveries of the most important foodstuffs, and aggregated indicators of the relationships of the food and agriculture branch to foreign trade. In addition, they will submit proposals for plans for employees and wages, for capital investment and the development of long-term assets, as well as for the major indicators of the financial plan. After the approval of the plan for the agroindustrial complex, they are responsible for fulfilling these parts of the comprehensive plan and introducing conceptual and operational measures for the assurance of plan fulfillment.

On the basis of sectorial plans, the State Planning Commission and the planning commissions of the republics will submit to the federal and national governments

for approval, after intersectorial discussions, an aggregate plan for the agroindustrial complex in the form of a system of indicators expressing the comprehensive interbranch relations of those branches assuring agricultural production and the production of foods.

To assure an improvement in the planned management of the agroindustrial complex at the level of the State Planning Commission, the planning commissions of the republics, in the sectors supplying production equipment and the sectors of agriculture and food, it is essential to create the personnel and organizational preconditions for an improvement in the planning and management of intersectorial relations.

In conjunction with the planning system for the agroindustrial complex, it is essential to adapt the system of socioeconomic information of statistical and other agencies to the requirements of management, control and plan evaluation.

B. Rules for Improving Planning in Agriculture

The rules for improving planning in agriculture seek the improved assurance of social requirements in the production and purchase of agricultural products, an increase in the economic efficiency of agricultural production, a more thorough application of the principles of democratic centralism, a strengthening in the authority of the plan at all levels of management, and the full development of the creative initiatives of employees and the economic activity of agricultural organizations.

A comprehensive five-year plan, balanced both internally and between sectors, elaborated for individual years, and which defines demanding yet feasible targets for the efficient development of agriculture, must be considered the basis of the planned management of agriculture at all management levels and in agricultural organizations.

In the formulation of annual plans, it is necessary to begin from the specification of the guidelines, and from the responsibility of agricultural organizations and agencies of the middle level of management to submit on an annual basis a detailed plan proposal to supervisory organs.

/The basic rule for the formulation of five-year plans in agriculture is the application of the principle of counterplanning. In accordance with this, agricultural organizations compile their five-year plan proposals prior to the approval of the five-year plan--on the basis of an acquaintance with the requirements for the assurance of social needs, with material and technical assurance and with the economic conditions of the managerial agencies of the agricultural, supplier and consumer sectors. These proposals are then utilized by the central agencies for the elaboration and allocation of the approval five-year plan./

Agricultural organizations will proceed in accordance with this principle even in the formulation of plan proposals for economic development for the 1981 to 1985 period. They will negotiate these proposals with supervisory agencies. The results of these discussions will be used to itemize the five-year plan after it has been approved by the government. The following approach will be applied to the preparation, negotiation, and approval of the five-year plan:

The acquaintance of agricultural organizations with the social requirements for the purchase of agricultural products for state inventories, with the production, material and technical, and investment assurance of these products, and with economic conditions.

/1. In the planning of purchases of agricultural products for state inventories: the ministries of agriculture and food of the CSR and the SSR, the regional agricultural administrations (KZS), the district agricultural administrations (OZS), and the centrally administered organizations will acquaint all organizations with agricultural production (JZD [united agricultural cooperatives], state farms, joint agricultural enterprises, and enterprises of centrally managed organizations), with the social requirements for purchases of grains, sugar beets, potatoes, oil plants, flax, vegetables, fruits, hops, tobacco, poppy seed, livestock for slaughter including cattle and poultry, milk and eggs grouped according to individual years of the five-year plan./

The social needs for grain and total livestock purchases (excluding poultry) will be established in a binding fashion for all levels of management by the state plan. Regional agricultural administrations, district agricultural administations, and VHJ [economic production units] composed of centrally managed organizations may establish additional indicators, up to a maximum of three, for directly subordinate agricultural organizations, in the interest of assuring social needs for the production and purchase of agricultural products.

They will itemize and revaluate, according to indiviudal agricultural organizations, the fundamental budgetary links within the plan of agricultural production and purchases, and especially the accounts concerned with requirements for and the replacement of fodder, and the production and usage of grains.

/According to their affiliation, consuming organizations will acquaint all organizations engaged in agricultural production with social needs for the purchase/ of agricultural products, without aggregating them in the indicators of specifically allocated agencies of the middle level of agricultural management, and with the production and purchasing of seed, seedlings and livestock for breeding and raising, after discussions with the pertinent level of management (the ministries of food and agriculture of the CSR and the SSR, KZS, OZS, VHJ and URO [the Central Council of Trade Unions]).

/Consuming organizations will assure the social needs for agricultural product purchases for state inventories in the full assortment of purchased agricultural production, by concluding agreements concerning the preparation of deliveries for the five-year plan with sectorial and nonsectorial organizations engaged in agricultural production./ They are to utilize established machinery guidelines and generate efforts for the full coverage of social purchasing requirements, for the assurance of a balanced coverage of the raw material requirements of processing organizations, and for the minimalization of handling, warehousing and transportation costs. They are to create the organizational, material and technical conditions for the smooth and balanced marketing of agricultural production. In conjunction with atricultural organizations, they are to see to an efficient and effective intensifying of the concentration and specialization of agricultural production. They are accountable for the development and deepening of cooperational and integrating links within the framework of the agro-food complex.

/2. In the planning of material and technical assurance./ In the interest of assuring the tasks of agricultural production development and agricultural product purchases for state inventories, as well as the balance of the links between plans for plant and livestock production, the ministries of agriculture and food of the CSR and the SSR, the KZS, the OZS and the VHJ of centrally managed organizations will establish the following binding upper limits:

/--fodder subsidies from the central fodder stock (CFK) will be tied to the distribution of agricultural product purchases for state inventories and on the fodder balance.

/--limits on feed mixtures will be linked to livestock product purchase tasks and to the coverage of the raw materials requirements for their production.

/--limits on propellants, fuels and energy will be linked to the production structure and development of the remaining economic activities of agricultural organizations./

Supply organizations managed by the Ministry of Agriculture and Food--depending on the itemization of social needs for purchases of agricultural products for state inventories--will negotiate the assurance of deliveries of individual types of feed mixtures, deliveries of industrial and calcareous fertilizers, agrochemcials, seed, seedlings and livestock for breeding and raising. The supplying organizations are to verify the results of these dicussions withthe appropriate agencies of agricultural management, and to conclude agreements with agricultural organizations concerning the preparation of deliveries of necessities for the five-year plan.

/In the area of machinery, equipment, and transportation technology, the agricultural management agencies are to acquaint agricultural organizations with deliveries which are the subject of state plan budgets and the subject of budgets and regulation at the ministerial level./

/3. In planning the implementation of the results of scientific and technical development./ VNJ and organizations responsible for the implementation of technical development, after discussions with the ministries of agriculture and food, will acquaint organs of the middle level of agricultural management and, concurrently, agricultural organizations with the intentions of specific projects in the implementation of scientific and technical development in individual years of the five-year plan, and especially with the material focus of the projects, with the possibilities for the extent of facility usage during implementation in terms of their material and technical assurance, with time deadlines and implementation location, with the designation of the organizations responsible for the assurance of implementation, and with the projected production and economic contributions.

The ministries of agriculture and food will designate the most significant projects in the implementation of scientific and technical development as binding tasks for the appropriate agricultural service organizations responsible for their implementation.

/4. In the planning of capital asset replacement. There must be an application to agriculture of the categorization of investment projects in terms of less than or

more than Kcs 5 million in budgeted costs./ The central management of targeted capital investment in agriculture will be applied in particular to projects with more than Kcs 5 million in budgeted costs. For these projects, binding limits on the budgeted costs of projects already underway and the year of beginning and finishing the project must be established for all management levels and for all agricultural organizations.

/The category of special agricultural investment projects must also include, in addition to orchards, vineyards and hop fields, drainage projects up to Kcs 5 million in budgeted costs, rural roads, repairs on small streams, small reservoirs, ponds, fertilizer storage areas, the construction of grazing zones and ensilage pits, to which the binding limit on newly initiated construction projects does not extend./

Machinery and equipment is to be planned for in material units only of specifically designed types (budgeted at the level of the state plan and regulated at the ministry level).

The ministries of agriculture and food of the CSR and the SSR, the KZS, OZS and VHJ of centrally managed organizations will acquaint subordinate organizations and agricultural organizations:

--with the intentions and priorities of investment policy, with the orientational volume of work and deliveries overall, as well as divided into construction and equipment investments. They will establish as binding specific capital investment projects of more than Kcs 5 million budgeted cost, a limit to the budgeted costs of these projects, and deadlines for their initiation and startup. Specifically, they will determine the magnitude of deliveries of selected agricultural machinery, tractors, and transportation equipment (in material units).

/5. In the financial plan./ The ministries of agriculture and food of the CSR and the SSR, the KZS, OZS and VHJ of centrally managed organizations:

--will acquaint subordinate organizations with the economic conditions of five-year plan formulation;

--will establish for state and cooperative organizations, binding limits for their relations to the state budget (subsidies, subventions) and, for organizations of the state sector, the indicator of total costs as a percentage of output, including extraordinary revenues;

--will introduce orientational limits for supplementary price instruments (differential surcharges, premiums and surcharges on purchase prices);

--will introduce total costs as a percentage of output including extraordinary revenues, as an orientational indicator for cooperative organizations;

--will introduce overall output, including extraordinary revenues, as an orientational indicator.

/6. After informing agricultural organizations of the requirements/ for the assurance of social needs for the production and purchase of agricultural products for state inventories, and after acquainting them with deliveries of production assets and with the tasks in the implementation of scientific and technical development, /the supplier and consumer organizations:/

--must negotiate supplier-consumer relationships for a previously determined range of products and conclude, through discussions, protocols concerning the results of negotiations according to Decree No 48/1980 of the Laws of the CSSR: these protocols will be the base upon which they will conclude agreements concerning the preparation of deliveries for the entire five-year plan;

--on the basis of agreements concerning the prepration of deliveries, they are to conclude agreements concerning the delivery of agricultural products and necessities, usually for one year.

Procedure for Preparing Five-Year Plan Proposals in Agricultural Organizations

/1. The formulation of five-year plan proposals in agricultural organizations. Agricultural organizations will draw up five-year plan proposals which are broken down into individual years on the basis of the requirements for assuring social needs, the material and technical conditions of their implementation in the five-year plan, the outcome of negotiations with consumer and supplier organizations concerning arrangement of deliveries and the decreed economic instruments in effect from 1 January 1982, and will submit them to the appropriate management organs for negotiation./

Through the timely involvement of all agricultural organizations in the preparation of five-year plan proposals, it is sought to create the conditions so that, on the basis of the rules for improving the planned management of agriculture, agricultural organizations may contribute through their activity and initiative to the thorough utilization of the unused portions of their production potential to make production more efficient and to improve the quality of that production which is providing for social requirements.

/The VHJ of biological and technical services, organizations of the scientific and research base, and additional organizations which have been entrusted with the implementation of scientific and technical development are to negotiate the approach to, and the concrete implementation of scientific and technical development with the appropriate elements of agricultural management and with individual agricultural organizations./ In conjunction with them, they will draw up their proposals of procedures for the implementation of the results of scientific and technical development, broken down according to individual agricultural organizations, regions (KZS) and districts (OZS).

Agricultural organizations are to aggregate into their five-year plan proposals the implementation of projects to the extent of the tasks established by the ministries of agriculture and food, as well as those projects whose implementation they must arrange with service organizations.

/2. Negotiating the plan proposals of agricultural organizations with management agencies./ Agricultural management organs will negotiate the plan proposals of agricultural organizations with individual enterprises in all aspects of the plan. They will evaluate, in particular, the overall economic development of individual organizations from the viewpoint of the proposed structure and intensiveness of agricultural production, the efficient intensification of concentration, specialization, and cooperation, the utilization of internal unused capacity, the development of the material and technological base and the efficiency of utilization of material resources, the objectives and assurance of investment development, the assurance of a labor force and increased labor productivity, overall economic efficiency, the generation of in-house financial resources, profit and return on investments.

/For organizations with below average economic performance figures, the appropriate supervisory management elements will reach agreement on the concrete preparation of technical and organizational measures to assure the balancing out of their production and managerial performance at the level of average organizations in the course of the five-year plan./

Through the limiting of the administrative establishment of tasks for agricultural organizations, it is sought to increase the accountability of managerial agencies in the planning sector, especially by means of a substantial increase in the quality of the forms of direct dealings of managerial agencies, supplier and consumer organizations with every agricultural organization during the process of assuring social needs and the overall economic development of individual agricultural organizations. Throughout the entire planning porcess, the idea is to increase the quality of labor of all the managerial organs in agriculture, especially of the district agricultural administrations, above all in the application of industrial production systems, the findings of scientific and technical development, and in the implementation of optimal variants for the utilization of production conditions for the full assurance of social needs.

Agencies engaged in the economic management of agriculture and consumer and supplier organizations are to inform higher levels of management regarding the fulfillment of social needs in the plan proposals of agricultural organizations, regarding the outcomes of their negotiations, and the preliminary results of the supplier-consumer assurance of the development of this branch in the five-year plan. All levels of management are to utilize these principles in the breaking down of the approved state five-year plan.

Procedure for Plan Refinement at Individual Levels of Management After Approval of the Five-Year Plan by the Government of the CSSR

/1. Itemization of the five-year plan at individual management levels./ The ministries of agriculture and food of the CSR and the SSR, and the middle levels of management are to itemize, for subordinate levels of management and agricultural organizations, five-year plan tasks to the extent of binding and orientational indicators. In itemizing the five-year plan, individual management levels are to utilize the principles concerning the fulfillment of social needs in the five-year plan proposals of agricultural organizations and the guidelines for consumer organizations concerning the outcomes of supplier-consumer negotiations.

/Organs of the middle level of management, when breaking down five-year plan tasks, are to assure that as an inseparable part of the five-year plan, adequate technical and organizational measures are established for organizations with below-average economic performance to guarantee the implementation of the five-year plan./

The ministries of agriculture and food of the CSR and the SSR are to establish for agricultural service industries (the Oseva, Slovosivo, Sempra, Semex, and hop-processing VHJ, the Bratislava Wine plants, state breeding enterprises, State Veterinary Administration, the Large Feed Lot sectorial enterprise, the Poultry Industry VHJ, the State Fisheries, the Nitra Agrokomplex, the State Tractor Station and Agricultural Machinery Repair Shops VHJ, the Agricultural Construction VHJ, the Institutes of Scientific Management Systems and of Agroprojects) specific tasks for the implementation of the findings of scientific and technical development and the conditions of economic incentives for their implementation.

The appropriate VHJ and service organizations are to assure the introduction of the approved projects in the implementation of the findings of scientific and technical development at individual agricultural organizations by establishing specific accountability of their components for assuring the implementation of individual projects. They are to establish the facility allocation, duration and location for the implementation of particular plan tasks in the implementation of the findings of scientific and technical development. These agricultural organizations will then aggregate the tasks in the implementation of scientific and technical development into an indispensable component of their own five-year plans.

The ministries of agriculture and food have issued detailed instructions regarding the assurnace of tasks in the implementation of scientific and technical development.

/2. Procedure for plan refinement in agricultural organizations./ On the basis of the breakdown of five-year plan tasks, their material and technical assurance and constraints established by the five-year plan, agricultural organizations are to refine their own five-year plans, in which:

/--they will adhere to the binding tasks established by the state five-year plan for the purchase of grains, total livestock for slaughter (excluding poultry), and to the binding tasks established by an organ of the middle level of management, integrate into their plans the results of the supplier-consumer clarification of the purchase of agricultural products, and assure full self-sufficiency in the production of bulk fodders, including the creation of adequate reserves;

/--they will adhere, in their plan for material and technical assurance to the binding subsidy constraints from the CFK, and for propellants, fuel and energy;/

--they will integrate into this plan the results of supplier-consumer negotiations for seed, seedlings, livestock for breeding purposes, and additional deliveries of productive assets and requirements from suppliers managed by the ministries of agriculture and food;

--for deliveries of productive assets from supplying organizations of other sectors, they are to formulate gross volumes of deliveries based on itemized state plan budgets, allocation budgets and plans which have been approved by central agencies and deliveries of centrally regulated machinery and equipment;

/--they will adhere, in their capital asset replacement plans, to specifically establish projects over Kcs 5 million in value, and the initiation and completion of which is projected for particular years of the five-year plan;

/--they will adhere, in the labor force plan;

/--to the binding norms for wages payable in conjunction with the existing rules for wage regulation in the state sector,

--to the limits on numbers of technical-managerial employees applicable to the state sector;

/--they will adhere, in their financial plans:/

--to establish limits in relationships to the state budget (subventions, subsidies) and, for the state agricultural sector, the binding indicator of total costs as a percentage of total output, including extraordinary revenues;

--they will introduce, for the state and the cooperative sector, a documented volume of total output, including extraordinary revenues;

/--In the plans of joint agricultural enterprises:/

--representatives of the joint agricultural enterprises, during the preparation and formation of the five-year plan, are to negotiate and agree upon the material and financial aspects of cooperation with the member organizations;

--the five-year plans of joint agricultural enterprises are to be discussed and approved by a committee of representatives of the member organizations prior to its negotiation with economic management agencies.

/3. Approval of organizational five-year plans./ Agricultural organizations are to submit to their supervisory agency for approval completed five-year plan proposals. The supervisory agency is to approve the five-year plans following a thorough verification of the extent of assurance of social requirements, and in particular:

--the assurance of binding tasks and the maintenance of binding constraints;

--the assurance of social requirements for the purchase of agricultural products;

--the overall balance and proportionality of outputs, and their material and technical assurance;

--the requisite formation and efficient utilization of resources;

--the adherence to principles of wage development and economic incentives;

--the financial assurance of the replacement process;

--the assurance of social development.

The economic management agencies for agriculture will inform their own supervisory agencies concerning the fulfillment and assurance of social requirements in the approved five-year plans of agricultural organizations.

Additional Measure To Improve Planning

/1. Links between five-year plans and annual implementation plans. The five-year plan of agricultural organizations will be neither changed nor recalculated/ during the five-year plan, with the exception of plan delimitations stemming from changes in internal and external conditions, which will be incorporated into the implementation plans. Five-year plan tasks established for appropriate years of the five-year plan form the base for the formulation of the annual implementation plans.

/The annual implementation plans approved by the government are to be broken down for agricultural organizations, beginning in 1983, only by those indicators in terms of which the implementation plan significantly differs, for legitimate reasons, from the five-year plan tasks for the year in question./

Necessary alterations to achieve greater precision which are dictated by new findings of scientific and technical development are to be incorporated in the annual implementation plans of agricultural service organizations, the scientific and research base and agricultural organizations within the framework of the resources allocated by the annual plans.

/2. Intensification of worker participation in the formulation of the Seventh Five-Year Plan in agricultural organizations./ Immediately during the stage of five-year plan proposal preparation, the management of agricultural organizations is to acquaint labor collectives with the social requirements, material and economic conditions of its assurance. Management is to discuss with all labor collectives the possibilities for utilizing unused capacity in individual sectors, as well as the conditions for economic incentives, and additional conditions for economic and social development.

/The positions of trade union and Cooperative Farmer Union organs are a part of the plan proposals. The management of agricultural organizations will incorporate these positions, as well as employee initiative proposals and suggestions into its plans for economic and social development./

II. Measures in the System of Economic Instruments for 1982 and Later Years of the Seventh Five-Year Plan.

(Supplement No 2 to CSSR Government Resolution No 249/1981)

The following measures are to be carried out with the intention of further improving the level and relation of the purchase prices for agricultural products, increasing the efficiency of other economic instruments and resolving consequences stemming from

--the termination of supports for the prices of fodder mixtures;

--the second stage of the one-time alteration of wholesale prices;

--the increase in selling prices of diesel fuel, light fuel oils and lubricating oils (at the budgetary level):

I. In the Area of Prices

A. Prices of Inputs

Market prices of fodder mixtures are to be increased by an average of 15.6 percent, in conjunction with the elimination of their wholesale price supports.

B. Purchase Prices and Supplementary Price Instruments for Plant Products.

a) Prices, price surcharges, and premiums are to be modified as follows:

1. the purchase prices for early potatoes are to be raised by an average of Kcs 240 per ton;

2. the purchase prices for late eating potatoes are to be increased by an average overall of Kcs 332 per ton, of which an average of Kcs 82 per ton is due to the elimination of premiums for specialization;

3. the purchase prices of industrial potatoes are to be increased, assuming a basic starch content of 15 percent, by Kcs 170 per ton, of which an average of Kcs 70 per ton is due to the elimination of premiums for specialization;

4. the purchase price surcharge for rye is to be increased by Kcs 150 per ton;

5. a purchase price surcharge is to be introduced for oats of Kcs 140 per ton;

6. the purchase price surcharge for corn is to be increased to Kcs 140 per ton;

7. the purchase prices of rough, dewretted flax is to be increased by an average of Kcs 400 per ton, and differentiated surcharges on the purchase price are to be introduced in the SSR in the average amount of Kcs 370 per ton;

8. the purchase price of flaxseed is to be increased by Kcs 200 per ton;

9. the purchase prices of black and white mustard are to be increased by Kcs 2,000 per ton;

10. for sugar beets, which have seen an average increase in purchase price of Kcs 13.50 per ton since the 1981 harvest in conjunction with monetary compensation based on sugar content, the purchase price is to be increased an additional Kcs 20 per ton, and premium introduced which will average Kcs 10 per ton;

11. the purchase price of chicory is to be increased Kcs 300 per ton;

12. the purchase price of hops is to be increased Kcs 3,000 per ton;

13. the purchase price of tobacco is to be increased Kcs 1,500 per ton;

14. differentiated purchase price surcharges are to be implemented for greenhouse vegetables produced on a base of light fuel oils, to offset rising costs;

15. for hot-air-dried fodder produced with a base of light fuel oils, state subsidies on a per-ton basis are to be introduced in the amount of Kcs 470 per ton of fodder delivered to authorized purchasers.

b) In conjunction with alterations in the purchase prices of plant products, the necessary alterations are also to be carried out in the purchase and wholesale prices of seed and seedlings, and in the wholesale prices of potato sets, eating potatoes for market consumption and peeled potatoes.

c) In connection with the one-time modification of wholesale prices, separate alterations are to be carried out of product markups, by increasing them for poppy seed products and wool and reducing them for agricultural chemicals while providing mutual compensation without increasing demands on the state budget.

C. Purchase Prices and Supplementary Price Instruments for Animal Products

a) Prices, price surcharges, and premiums are to be altered as follows:

1. the purchase price for milk of first-quality category, with at least 3.6 percent fat content, is to be increased Kcs 0.50 per liter;

2. Reimbursement for livestock for slaughter is to be increased an average of Kcs 2.39 per kilogram of net weight; this figure reflects

--an increase in the purchase price of feedlot cattle by an average of Kcs 3.42 per kilogram of net weight,

--an increase in the purchase price of cows for slaughter of Kcs 1.40 per kilogram of net weight,

--the elimination of premiums for fattening bulls up to higher weights,

--an increase in the purchase price surcharge on cows which have dropped their first salves of Kcs 2.00 per kilogram of net weight;

3. an average increase of Kcs 0.60 per kilogram of net weight for calves for slaughter;

4. an increase in the purchase price of swine for slaughter of Kcs 1.50 per kilogram of net weight;

5. for pigs

--the purchase price for pigs up to 25 kilograms in weight is to be increased Kcs 2.00 per kilogram of net weight,

--the purchase price of pigs (gilts) between 25 and 30 kilograms of weight is to be increased Kcs 1.50 per kilogram of net weight for every kilogram in excess of 25;

6. for sheep for slaugher

--the purchase price of lambs for slaughter from intensive and semi-intensive feeding operations is to be increased Kcs 2.00 per kilogram of net weight,

--the purchase price of all other sheep for slaughter is to be increased an average of Kcs 1.25 per kilogram of net weight;

7. the purchase price of sheep's milk cheese is to be increased an average of Kcs 3.42 per kilogram;

8. the purchase price of wool is to be increased an average of Kcs 5.23 per kilogram;

9. the surcharge on the purchase price of wool on the skin is to be increased Kcs 0.80 per kilogram;

10. the purchase price of chickens for slaughter is to be increased Kcs 2.00 per kilogram of net weight;

11. the purchase prices for turkeys for slaughter are to be increased Kcs 2.00 per kilogram of net weight;

12. the purchase prices of geese for slaughter are to be increased Kcs 3.20 per kilogram of net weight;

13. the purchase prices of ducks for slaughter are to be increased Kcs 1.50 per kilogram of net weight;

14. the purchase prices of hen eggs for consumption are to be increased Kcs 1.20 per kilogram;

15. the purchase prices of fresh water fish are to be increased an average of Kcs 2.00 per kilogram;

16. the purchase prices of bee honey is to be increased Kcs 10.00 per kilogram;

17. the purchase prices for game animals are to be increased an average of Kcs 3.90 per kilogram;

18. firm purchase and wholesale prices are to be decreed for rabbits for slaughter, and purchase price supports introduced to maintain an average level of Kcs 4.50 per kilogram of net weight.

b) Purchase price surcharges are to be eliminated for milk, lambs for slaughter from intensive and semi-intensive feeding operations, and sheep's milk cheese originating from intensively utilized meadows and pastures.

D. Differential Surcharges

/1. Selected types of fruits and vegetables are to be included in eligibility for differential surcharges.

/2. The increase in receipts/required for eligibility for differential surcharges is to be increased

--for potatoes, from 100 to 140 percent,

--for milk, from 110 to 140 percent,

--for other products of livestock husbandry, from 100 to 140 percent,

--for products of sheep husbandry, from 100 to 140 percent.

3. The influence of the existing rates for differential surcharges on interoblast income differentiation is to be evaluated. Targeted changes which do not effect the state budget may be incorporated into implementation plans beginning 1 January 1982.

E. Premiums for Increases in Receipts for Agricultural Production

/The awarding of premiums is to be introduced for increases in the production of agricultural products for market in the amount of 30 percent of the increase in receipts; the premium for increased receipts in a given year is to be based on the average receipts of the 3 preceding years./

The basis for the awarding of premiums will be total receipts for agricultural production after deductions for the value of purchased seed, seedlings, feed and fodder mixtures, livestock and other intermediate agricultural products that had to be purchased.

Part of the resources gained through these increased premiums is to be used for the direct strengthening of individual and collective economic incentives for employees of agricultural organizations.

II. In the Area of Other Economic Instruments

A. State Subvention and Subsidy Policy

1. The following are to be eliminated:

a) stabilization subsidies awarded from the state budget to agricultural organizations with insufficient in-house resources;

b) subventions for investments granted to the same organizations on a targeted basis for selected investment projects;

c) subventions for housing construction with a view to the introduction of a new method for financing housing construction with state budget participation with validity beginning on 1 January 1981.

/2. An intensification fund is to be created, divided internally into a operational component and an investment component, for the purpose of supporting intensification programs at enterprises which have lagged behind for some time and, in justifiable instances, for subsidizing investments by other agricultural enterprises which may suffer from a temporary lack of in-house resources. The ministries of agriculture and food of the two republics will make decisions concerning the uses of this fund./

3. The range of projects covered by provisions of the laws concerning soil enrichment are to be expanded to include projects of the nature of so-called special agricultural investments, /i.e. orchards, vineyards, hops fields, the creation of grazing zones, ensilage pits, field storage areas for manure, small water reservoirs, repairs to small streams and ponds, the repairing of rural roads, and the like./

4. Operational subventions which are designated for the support of the preservation and nutrition of plants, the enrichment of new strains of fruits, the agrochemical testing of soil, the development of the breeding and treating of domestic livestock are to be retained.

5. A work force stabilization fund is to be put in place, with the objective of supporting more significantly, and expanding the types of measures aimed at work force stabilization, especially in remote oblasts and in those with difficult living conditions, and at the training of apprentices according to new training conditions, etc.

6. The system of financial reserves is to be retained in the organs of state management of agriculture, in particular:

a) a systemic reserve to resolve deviations between the plan proposals of enterprises and societywide requirements during the process of plan formulation and implementation, while strengthening it financially; the tying of asset utilization to the agreement of the Federal Ministry of Agriculture and Food;

b) an uninsurable-damages fund to moderate any damages to plant production not covered by either legal or contracted insurance;

c) financial reserves formed from the unused operational assets of the intensification fund, the work force stabilization fund, the unused assets of the investment component of the intensification fund and designated for use at the discretion of the ministries of agriculture and food. Other resources may go to the composition of this fund at the discretion of the ministries of finance.

B. Coping With the Risk Involved in Agricultural Production

/1. A proposal is to be prepared for new, unified insurance for livestock which will combine the coverage of risks of both legal and contractual insurance./ In rates for the insured, only a minimal profit and the coverage of costs of insurance are to be considered. Bonus principles are to be actively applied within this context. These measures are to be implemented prior to 1 January 1983. Until this time, differences between insurance and damages in 1981 and 1982 are to be resolved under the guidelines of resolution No 170 of the Presidium of the CSSR Government, dated 12 July 1979, and concerning modifications in the system of economic instruments in agriculture for 1980 and the period of the Seventh Five-Year Plan.

2. Current findings from the insurance of harvests of selected plant products for the period which has passed, as well as the experimental verification of the comprehensive insurance of harvests of remaining crops for 1981 must both be evaluated and a proposal for improving the efficiency of current agricultural insurance must be prepared during the Seventh Five-Year Plan.

C. In the Area of Credit

1. In order to strengthen the stimulative function of investment credit, /interest rates must be differentiated more significantly/ and established at the following levels (in percentages);

—for soil enrichment - 1;

—for developing cattle and sheep husbandry (including the conservation of bulk fodders) - 2;

—for the construction of warehouses and the alteration of production - 3;

—to agricultural chemical enterprises for agricultural chemical activity conducted by other organizations - 2.

Investment credits for other projects are to be granted under the existing guidelines.

/2. From 1982-1985, make it possible for enterprises which have long lagged behind economically to defer payments on their investment credits on the condition that after the deferral period interest will be charged on credit payments at half the prevailing interest rate./

D. In the Area of Taxes

The current principles of agricultural taxation will not be changed for 1982. Needed alterations in agricultural taxes are to be carried out in connection with the general alterations beginning in 1983, without the submission and discussion of the principles of the law, which will change and supplement the law concerning agricultural taxation.

E. In the Area of Services

Within the framework of additional work on the improvement of the planned management system in agriculture in the course of the Seventh Five-Year Plan, the following are to be prepared and implemented to the extent possible:

1. With the goal of evaluating objectively the results of the specialized activities of biological service organizations and gaining reliable bases for the determination of costs and established prices, /the preconditions are to be created gradually for the separate planning, monitoring, and evaluating of services which are provided and of other specific activities,/ in such a way that following verification during the Seventh Five-Year Plan, these measures could be implemented to their full extent as soon as possible after the start of the Eighth Five-Year Plan. For VHJ, STS [state tractor stations] and OZS [agricultural equipment repair stations], a method for itemizing the plan, its outputs, and ties to the financial and labor plans should be implemented which will make it possible for subordinate organizations to fulfill their own designated mission in a priority fashion. These ties are to be assured by itemizing the plan according to the structure of activities.

/2. In order to strengthen the mutual trust among service organizations and enterprises engaged in primary agricultural production, a system of guarantees for performed services and activities is to be worked out,/ in particular:

a) for biological services, an evaluation is to take place, during the Severnth Five-Year Plan, of the existing situation in this sector from the viewpoint of the requirements of primary agricultural production, studies undertaken of the possibilities for their expansion, and they are to be verified gradually in selected organizations engaged in primary agricultural production, especially in the areas of seeds, seedlings and nursery materials, artificial insemination, and deliveries of animals for breeding, raising, and for feedlots;

b) for technical services, a system of guarantees is to be formulated and verified gradually at selected enterprises during the Seventh Five-Year Plan in such a way that it may be applied to its full extent in the Eighth Five-Year Plan, especially in the sector of mechanized livestock production, machinery repair, in harvesting, post-harvest processing, and warehousing, in the balanced supplying of industrial fertilizers in a planned structure and to established tolerances, as well as in the production and delivery of fodder mixtures.

3. The economic regime (including its tax and transfer payment aspects) for technical service organizations is to be modified in such a way that the provision of these services is not economically less advantageous for agricultural enterprises than the provision of these activities by the enterprises themselves, and so that this will not serve as a path to the systematic increase of costs of agricultural enterprises and the growing transfer of assets away from agricultural enterprises.

4. For the employees of service organizations, whose participants share in the performance of individual activities of agricultural enterprises may be limited, a portion of individual and collective economic incentives is to be tied to the performance of these activities.

Aggregate Quantification of Needs and Resources for Modifications in Economic Instruments Beginning in 1982, by Republic

	Millions of Korunas		
	CSR	SSR	CSSR
A. Need for Resources			
1. Purchase price modifications	4,276	1,529	5,805
2. Differential surcharge modifications of which	1,428	1,281	2,709
--from influence of purchase price modifications	481	425	906
--influence of increased numbers of receipts for eligibility for differential surcharges	947	844	1,791

	CSR	SSR	CSSR
—inclusion of selected fruits and vegetables for eligibility for differential surcharges	0	12	12
3. Introduction of increase premiums	574	398	972
4. Introduction of subsidies for hot-air-dried fodder	45	22	67
5. Increased reimbursement of non-price instruments	205	139	344
TOTAL	6,528	3,369	9,897
B. Resources			
1. Elimination of fodder mixture supports	1,654	827	2,481
2. Increased fuel prices	1,113	594	1,707
3. Operational part of second stage of one-time modification of wholesale prices	810	375	1,185
4. Investment part of second stage of one-time modification of wholesale prices	687	431	1,118
5. Increased taxes on agricultural organization profits	372	134	506
TOTAL	4,636	2,361	6,997
C. Increased Reimbursements			
Total	1,892	1,008	2,900
of which			
increased wages in state sector	123	57	180

III. Measures in the Area of Replacement and Labor Force Stabilization and the Compensation System for 1982 and Subsequent Years of the Seventh Five-Year plan.

(Supplement No 3 to CSSR Government Resolution No 249/1981)

The following measures are to be taken to intensify merit in the individual economic incentives for the development of the quality and efficiency of agricultural production:

I. In the Area of the Targeting of Wages Payable

A. The State Agricultural Sector

1. A two-part regulation is to be applied, with the basic component of wages payable being tied to total output, including extraordinary revenues, and the incentive components tied to profits. In enterprises where planned profits are lower than twice the annual volume of the incentive components, the incentive component will be tied to the total costs as a percentage of total output indicator.

2. If the indicator for the incentive component of wages payable is not fulfilled, then it is to be reduced in such a way that it disappears when the indicator is fulfilled at a level below a limit established by the Federal Ministry of Agriculture and Food in conjunction with the Federal Ministry of Labor and Social Affairs.

3. The volume of wages payable is to be modified by excess costs which arise from limiting the consequences of unfavorable climatic conditions, excess costs from recultivation work above the level of the plan, and excess costs due to obstacles to work in border zone Z.

4. The bonus fund is to be subsidized at a level up to 30 percent of the increase premiums for increased receipts in comparison with previous periods.

B. United Agricultural Cooperatives

1. A one-part regulation is to be applied, with total resources for compensation tied to the total output indicator, including extraordinary revenues. The level of the incentive component and the bonus fund are to be defined within the framework of total resources.

2. Resources for compensation are to be established by the average coefficient of 0.7 in conjunction with the percentage increase in total output in comparison with the performance of the previous year. In the event of greater deviations of actual performance from the plan, and the disruption of the ties between the volume of resources for compensation and the total output for the previous year, the planned level of the previous year is to be used (the starting point). In the event of changes in organization, in the percentage of investment activity in relation to in-house overhead, in the structure of production or of the activities of the cooperative, the JZD may agree on changes in the initial base with the district agricultural administration.

3. It is to be possible for cooperatives to adjust the volume of resources available for compensation for the excess costs which may arise as a result of limiting the consequences of unfavorable climatic conditions, by the costs of recultivation work above the level of the plan, and for obstacles to work in border zone Z, all without the need for reimbursement from societywide resources. No other recalculation elements may be used.

4. The bonus fund is to be subsidized by up to 30 percent of the increase premium for increasing receipts in comparison with previous periods. This subsidy is not to be included in the resources for compensation used as an initial base for the economic plan.

C. In Both Agricultural Sectors

1. A set of qualifying indicators is to be established for the calculation of wages payable. The selection of concrete qualifying indicators for an enterprise will be carried out by middle-management levels from this set.

2. The current adjustment is to be applied to regulatory indicators for unreimbursed damages which have come about due to unfavorable climatic conditions.

3. The cultural and social services fund is to be subsidized by a percentage of the increase premiums from increased receipts in comparison with previous periods. This increased supplementary allocation can amount to as much as 0.4 percent of the annual volume of wages payable. It is better to utilize the resources of this fund in such a way that they contribute more efficiently to the intensification of agricultural output through the resolution of specific problems of the social collective of employees of an agricultural enterprise.

II. In the Area of the Labor Plan

1. To assure a work force in the needed numbers, requisite structure and with the necessary qualifications for state agricultural organizations operating on the land, so as to achieve a higher level of efficiency and intensity of production in these organizations, wages payable are to be strengthened in a planned fashion, beginning in 1982, with the intention of gradually balancing the differences in the level of average wages between this sector and the national economy as a whole in the course of the Seventh Five-Year Plan.

2. In conjunction with the formation of wages payable and the subsidization of the bonus fund from increase premiums, a planned strengthening of the incentive component of these resources is to be assured with the intention of having them represent a 20-percent share of total wages payable by the end of the Seventh Five-Year Plan.

III. Strengthening Economic Incentives

A. Increasing the Efficiency of the Incentive Component of Wages

1. Agricultural enterprises are to determine the specific forms of compensation for individual production sectors and work sites on the basis of the methodological guidelines of the ministres of agriculture and food of the republics and the results of technical and economic analyses in accordance with the enterprise concept of wage development, and the structure and differentiation of wages.

2. Annual performance premiums are to be implemented for the fulfillment and overfulfillment of production tasks and the production for market of the economic plan. In plant production, an advance is to be provided for established stages of production, and in livestock production advances are to be provided on a quarterly basis. These premiums may be increased by those resources which the organization gains as a share of the increase premiums for increased receipts in comparison with previous periods.

3. An annual bonus is to be established for managerial employees, according to generally valid rules, at a rate of up to 30 percent of their basic pay. This bonus may be increased by as much as an additional 10 percent in connection with increase premiums which have been achieved, and paid out from the subsidies to the bonus fund gained from these increase premiums. The precise percentage increase is to be established by a supervisory organ with a view to the level of increase premiums and the economic performance of the organization. In the event that market production tasks and increases in them are fulilled and the planned relationship of total costs to toal output maintained throughout the entire five-year plan, target bonuses may be awarded in the amount of 50 percent of the basic pay of the managerial employee for the final year of the five-year plan. Fulfillment of indicators for annual bonuses is evaluated taking into account objectivization according to the principles valid for the targeting of wages payable.

4. Instead of target bonuser for fulfilling five-year plan targets, a target bonus for fulfilling the tasks of an intensification program is to be awarded to managerial employees of selected enterprises which have been lagging economically for a long time. This type of target bonus is to be rigorously differentiated according to the extent and difficulty of the tasks and other considerations, up to the amount of Kcs 60,000 for the entire period of intensification.

5. The utilization of wages paid in kind is to be possible, especially in the assurance of the production of fruits, vegetables, potatoes, and possibly other products which are not a part of the central fund of fodder and of state purchases.

B. Increased Efficiency of the Tariff System

1. Tariff grade number 3 is to be applied:

--for specialized professions in plant production in fruit raising, gardening, vegetable raising, tobacco growing, grape raising, hop raising, and in the area of plant enrichment and hybrid experimentation;

--for the blue-collar employees of construction groups which handle the construction of larger construction projects (labor productivity per employee of more than Kcs 80,000 total annual output).

2. The existing indicator for the categorization of enterprises and internal enterprise units is to be retained, and the number of categories expanded by one or two. For auxiliary operations, indicators are used for categorizations which recalculate the number of employees according to the level of outfitting with capital equipment.

3. Managers of operational units who directly manage blue-collar employees are to be granted the same advantages as masters or high masters.

4. It is possible to award a tariff class one level higher than established by the appropriate qualifications catalog to creative technical-managerial employees entrusted with the performance of a function (work activity) belonging to the 11th tariff class and higher agronomists, zootechnologists, and mechanizers at state breeding enterprises and the sectorial enterprises of Sempra, Oseva, Slovosivo, as

well as at JZD and state farms entrusted with the reproduction of seeds and seedlings, or the breeding of animals for direct application in agriculture, who are systematically entrusted with the most complicated and difficult tasks, who constantly achieve good work performance, fulfill the qualification requirement of a college education, and have 12 years of professional experience.

5. Modifications in the qualification catalogs are to be carried out so that the qualifications will reflect the state of the art in techniques and technology, the social division of labor, the level of organization and management of agricultural organizations. Classes 8 and 9 are to be used for newly introduced work activities, while fully respecting the guidelines for the compilation of qualification catalogs.

6. Senior workers and specialists whose work represents a creative contribution to the assurance of production are to be more significantly evaluated in terms of wages by the awarding of a personal evaluation, and in some cases a personal paycheck.

7. It is to be possible within the cooperative sector for organs of a cooperative to aggregate surcharges (for overtime work, for difficult working environments, for Saturday and Sunday work, night work, and split-shift work) into the incentive component of wages.

8. In those places in livestock production where work has been established on a split-shift basis, a surcharge is to be applied for a day which has been worked.

C. Remaining Measures in the Regulations

1. The system for permitting overtime work above the generally established limits is to be simplified by shifting authority to the middle level of management, and by establishing an average limit per profession, or center, over an extended period of time, usually 3-5 years.

2. The extra activity of constantly active employees in the category of assisting workers (seasonal) is to be documented by calculations based on hours worked.

9276
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ECONOMIC POLICIES FOR 1982 ANNOUNCED

Budapest FIGYELO in Hungarian 11 Nov 81 p 11

[Article by Peter Medggyesy: "In the Interest of Uncovering Reserves"]

[Text] Several elements of the economic regulators will have to be modified at the end of this year and the beginning of next year. The general state of the economy and the unfavorable conditions require an economic-management and financial practice that can ensure, even amidst the worsening conditions, fulfillment of the requirements of general equilibrium, acceleration of the formation of income, maintenance of domestic expenditure within sensible limits, and centralization of income at the present level.

In socialist commodity trade we have met the commitments we assumed during the past two years; in foreign trade with capitalist countries our balance of trade and terms of trade have improved; and equilibrium on the investment and consumer markets is satisfactory. These results, however, stemmed from the utilization of reserves that are the easiest to mobilize and are about exhausted.

Economic growth in 1980 was slower than had been planned. Growth in 1981 has accelerated somewhat but is still below the growth rate planned. Which means that real incomes in the economy are not increasing adequately. Transformation of the economy's structure is a time-consuming process, and we are only at its very beginning. However, acceleration of economic growth under the present structure of the economy would raise incomes in the national economy, but the unfolding trends of external economic equilibrium would be jeopardized.

A basic requirement is that the improvement of efficiency, transformation of the economy's structure, expansion of national economic income, and improvement of external equilibrium must all take place simultaneously. From the results to date it seems that there is not enough pressure for the intensification of the processes, and therefore the necessary changes must be accelerated and stimulated.

In our external economic conditions, too, the anticipated improvement has not occurred, and we can expect even a deterioration. An upswing of business

activity in the capitalist world has not occurred this year, and we can hardly expect one even next year, and this makes our selling and marketing conditions more difficult. And in trade cleared in transferable rubles, the capitalst world's economic problems, their effect on the entire world economy, will reach us with a certain lag, in 1982-1983.

Finally, there are problems also in the distribution of available incomes that in the short term can increase only within limits. In 1981 we have been able to achieve only partially an increase in the state budget's share of incomes. Contrary to our intentions, an increase of the budget's sources of revenue has lagged behind the expansion of state tasks. Thus overspending in the national economy manifests itself predominantly in the state budget, and--unless we succeed in moderating this trend--this could again jeopardize our efforts to improve external economic equilibrium.

Changes in Producer Prices

An analysis of our economic results and problems supports the conclusion that adjustment to external conditions must be strengthened within the economy, and qualitative performances must improve in every area.

To this end it has been necessary to intensify the pressure that the price system and system of regulation exert on stepped-up performances and better work. The price system, too, must adapt to the changing conditions. A very large proportion of the producer prices falls in the category of free prices, and there this requirement is obvious. However, adjustment to the changing conditions is necessary also in the noncompetitive sectors where fixed prices apply.

Among the measures affecting producer prices, the most significant has been the rise in the producer prices of sources of energy, as of 1 November 1981. Their increase--in accordance with the principles formulated in the price system for fuels and energy--has been made necessary by the price-increasing effect of the rise in the dollar's exchange rate. Accordingly, the price of petroleum has increased 12 percent, while the prices of petroleum products other than gasoline have been raised in a differentiated manner, with due consideration for the world-market prices of the individual products. The price of natural gas has been raised 15 percent; that of coal, 10 percent; and of coke, 5 percent. At the same time, the price of electricity has increased 9 percent; and that of thermal energy, 11 percent.

A 15-percent increase in trucking rates and domestic rail freight rates is warranted to stimulate economization on energy-intensive transportation costs, and also to alleviate the transportation-related burden on the state budget. Simultaneously, the rates for freight shipments by rail [sic] and export-import shipments are increasing on average by 20 percent. The measures are effective as of 1 November 1981.

The budgetary subsidies for passenger transportation will be reduced by the abolition of the budgetary subsidy on commutation tickets. As of 1 January 1982, the prices of commutation tickets will increase 25 percent. However,

this increase will not affect the workers since it will be borne by their employers.

The directives regarding unfair profit limit attempts to take advantage of shortages when setting prices, but at the same time they permit departures from the long-term median price calculated according to the new regulations, respectively from the prices that are in force, since such departures are necessary for the normal functioning of the economy. A higher profit may be included in the price when, for example, the production cost is reduced through technical and economic measures, when the price is being adjusted to the capitalist export or import price, when an enterprise is being supplied that produces for hard-currency export, or when financing development that is essential to satisfy the demand. The profit-reducing effect of producer-price measures must be offset through greater efficiency and more economical management of the restrictions. Realistic consideration of the circumstances requires that we offset the cost increase in some areas.

Noteworthy examples of such areas are large-scal farming, where 75 percent of the cost increase will be refunded temporarily; intecity passenger service, with an 80-percent refund; and the cement industry, with a 90-percent refund. The entire increase in costs will be refunded to the economic units in municipal mass transport, in the case of budgetary institutions that provide essential services and operate under an incentive system that is based on the profit remaining after taxes, wages and obligatory fund allocations; in sanitation services; and in the supply of fuels and energy to households. The budget will offset 50 percent of the cost-increasing effect of the motor vehicle tax on trucks in the case of large-scale farms; and 100 percent in the case of sanitation services.

Income Regulation

In the interest of achieving our objectives, the sharing of incomes between the state and the enterprises must be changed. This change, moreover, will have to stimulate higher incomes based on real additional performances. This must be accomplished in such a way that simultaneously the profit incentive will not decline, and pressure for higher profits based on efficiency will increase. The profit tax will remain unchanged, but the wage-commensurate taxes will be increased by 3 percentage points.

To ensure that wages can be increased more on the basis of greater real performances, while at the same time the changes in the conditions for raising wages will exert pressure for attaining higher real profits, the rates of the system for regulating wages and earnings will change. The wage multiplier assigned to the wage-development indicators will drop from 0.3 to 0.2 in the case of payroll-budget regulation based on performance, and from 0.3 to 0.25 in the case of wage-level regulation linked to performance. The rates of the centrally guaranteed wage increases will be reduced from 4 to 3 percent under central regulation of the payroll budget; from 3 to 2 percent under central regulation of the payroll budget in combination with relative [performance-linked] elements; from 4 to 3.5 percent under central regulation of the wage level; and from 3 to 2.5 percent under central regulation of the wage level in combination with relative elements.

In agreement with the objectives of economic policy, however, the old rates will apply to coal mining, to the mining of other ores and minerals, to ferrous metallurgy, baking industry, dairy industry, domestic trade (with the exception of wholesale trade in capital goods, stockpiling, and wholesale trade in by-products and scrap), and to enterprises and cooperatives providing consumer services.

Incentive for Greater Effort

The conditions of wage management at efficient and highly profitable enterprises will improve: instead of the 2 percent at present, the rate of increase in wages without revenue transfer will be between 2 and 4 percent, differentiated in accordance with the level of profitability. Such enterprises will benefit also from the provision that the 150-percent transfer of revenue on an increase of the wage level by more than 9 percent will be payable in the future only if the increase of the wage level exceeds 12 percent. It could be a sign of the currency's depreciation if certain enterprises or sectors disburse wages for no performance or for inadequate performance. Both the honor of labor and the protection of our forint require that wage increases be based on available performance data. The enterprise collectives, managers, and local social organs are equally responsible for this.

The system of material incentives for top enterprise managers will also undergo modification. To provide greater incentive, the multipliers that are linked to indicators of enterprise profitability and determine the amounts of the managers' premiums will be tighter than at present.

Care had to be taken to ensure that the measures do not place a heavier burden on the more efficient enterprises than on the average ones. Indeed, such a solution is always a great temptation, because it is always easier to take more away from the efficient enterprises than to prod the weak enterprises to greater effort (the social and economic conflicts are fewer and smaller).

We chose the latter solution, as evident also from the fact that we reduced or abolished several kinds of tax benefits. For example, in the case of enterprises in the lime and cement industry, asbestos-cement industry, and within the Livestock Trading and Meat Industry Trust (Allatforgalmi es Husipari Troszt). As of 1982, these enterprises will be able to retain only 80 percent of their depreciation, as opposed to 100 percent at present. This represents a step closer to the general system. Aid for production modernization will be reduced at an accelerated rate, mostly in light industry, agriculture and the food industry, and at a few engineering enterprises. The measures affect also the subsidization of certain activities. Subsidies to seasonal stores in domestic trade will be abolished, and the subsidies to the fruit and vegetable trade will be reduced 25 percent.

Welfare Measures

To encourage hiring the handicapped, as of 1 January the enterprises and industrial cooperatives that hire such workers will be able to claim subsidies amounting to 40 percent of the wages paid to the handicapped, instead of the 30 percent at present. A new feature is that budgetary plants also will be able to claim such subsidies in the future. The procedure for determining who qualifies as handicapped worker will be simplified.

The provision that fees paid to innovators from the profit-sharing fund will not be subject to progressive profit tax is expected to end the problems in conjunction with rewarding innovators.

The rules governing the formation and use of the welfare and cultural fund will be modified slightly. To increase the proportion of workers using plant cafeterias and to balance the expenditures of the enterprises, as of 1982 the overhead on cafeteria meals will be charged to miscellaneous expenses and allotted to the welfare and cultural fund. In this way the overhead will not burden the per capita allocation, while the raw-material costs of meals at plant cafeterias will continue to be covered from the per capita allocation and the workers' contributions. (Because of the changeover to the new system of accounting, a one-time reduction of the per capita contribution will be necessary; however, this reduction will be only of a technical nature and will not affect the actual amount of the welfare fund.) To facilitate the replacement of capital assets dedicated to the workers' welfare, the general rules of capital depreciation will apply also to such assets. In the case of welfare investments, the first procurement of expendables--i.e., the purchases before the completion of turnkey construction--may be financed from the development fund.

Investments

In order to regulate domestic expenditure within our means, it will be necessary to reinforce the selectively restrictive nature of our investment policy.

Development projects to build capacities producing goods that can be exported for hard currency, investments to rationalize energy consumption, and development projects for the utilization of waste and scrap will continue to enjoy priority. Parallel with these priorities, however, the total amount available to provide free state aid for investments will be curtailed in comparison with previous years. In the case of specific large-scale investments the state will be able to assume only smaller burdens commensurate with our means. The financial resources available for so-called other state investments will be sharply reduced. A 6-percent reserve will have to be formed in the case of lump-sum investments for specified objectives. As a disincentive to construction-intensive developement projects, the rate of the construction tax has been increased to 20 percent, from 10 percent earlier.

A basic consideration is not to hamper the investment projects already begun, because this could cause the national economy more harm than good. However, we will be applying greater restrictions and stricter criteria to new starts. In accordance with this, we will increase from 15 to 20 percent the formation of the obligatory reserve fund, and the higher rate will apply already to the allocation of 1981 profits. This measure will not hamper fulfillment of the financial obligations in conjunction with the development projects undertaken earlier, but the stricter financial conditions for new investments will help the enterprises to start only truly profitable development projects and to be more selective.

All the measures jointly will foreseeably reduce demand on the investment market by more than 10 billion forints, in order to achieve a better balance of the formation and use of incomes also in this area.

The purpose of the price and regulator changes is unambiguous: to stimulate and even to increasingly compel more efficient economic activity. In their sum total, the price and financial measures will result in a reduction of enterprise profits in the economy, of the order of 20 billion forints. However, this does not mean that we are raising an impregnable wall before the enterprises, and that the future opportunities of every enterprise must necessarily decline. Our objective is specifically that enterprise profits increase parallel with the unfolding of favorable economic processes, but only if this is backed by more efficient and better work. As a result of the stricter criteria, we expect that the dynamically growing and profitable enterprises will be able to exceed the high standards and increase their profits. But there also will be enterprises forced to seek other ways and means.

1014
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CRITICAL ANALYSIS OF ECONOMIC PERFORMANCE PUBLISHED

Economy Up to 1970

Warsaw FUNDAMENTY in Polish No 29, 19 Jul 81 pp 8-11

[Discussion with FUNDAMENTY's Stefan Jedrychowski, Bronislaw Minc and Eugeniusz Szyr moderated by Bugoslav Reichard, also participating, Mieczyshlaw Gorski and Krystyna Jurczynska of: "The Windings of Industrialization"]

[Text] At the high point of the discussion of economic reform and of the causes and sources of existing crisis, we have decided to attempt to evaluate the principles and the implementation of industrialization and investment policies in People's Poland. We believe that this evaluation and the conclusions drawn from it may turn out to be crucial not only for historians but also for the formulation of proposals regarding our present situation.

To participate in the discussion of structural problems of industrialization in Poland, we have invited two men prominent in the fields of politics and economy who, during different periods of the People's Poland, participated in an important way in the formulation and implementation of economic policy and, also, professor of economics who actively participated in developing the concepts of early economic plans and their implementation.

Dr Stefan Jedrychowski--lawyer and economist, among other functions he served as minister of maritime and foreign trade, deputy premier, chairman of the Planning Commission of the Council of Ministers, minister of foreign affairs, and finance minister. In the years 1956-1971 he was a member of the Political Bureau of the Central Committee of the Polish United Workers Party.

Eugeniusz Szyr--economist, soldier in the International Brigade in Spain, has among others been deputy minister in the Ministry of Industry and Ministry of Industry and Trade, deputy chairman and chairman of the State Commission for Economic Planning, vice premier, member of the Political Bureau of the Central Committee of the Polish United Workers Party, and presently minister for material economy.

Dr Bronislaw Minc--eminent economist, professor of the Main Planning and Statistical School in Warsaw. In the years 1946-1952 he worked in CUP [Central Planning Administration] and PKPG [State Economic Planning Commission] in the capacity of director for the department for coordinating economic plans. He is the author of a number of books and many other economic papers. "Political Economy

of Socialism" appeared in five printings in Poland was translated into five foreign languages, in 1977 he published a book in Italy titled "New Political Economy."

The editors were represented by Mieczyslaw Gorski, Krystyna Jurczynska and the editor-in-chief, Boguslaw Reichart, who led the discussion.

Today, we are publishing part one of the report covering the years until 1970. The sequence, covering the 1970's, will be published in the next issue.

Stefan Jedrychowski: It is necessary to start by explaining some general matters. Occasionally, one encounters views that the whole 36-year period was one continuing crisis. I do not think so. Of course, there were some crises. I am not avoiding this term regarding the years 1956, 1970, 1976 and 1980. Those were successive crises produced by certain events stemming from the economic [problems]. Between these crises, however, we had periods of quite successful development.

In what I am going to say now, I am going to disregard the 1970's. During the previous period, we did not deal with the phenomenon of falling production. There was, however,the problem of stagnation and in certain periods the problem of decreasing real wages has not been always exhaustively analyzed and clarified. For instance, price and wage reform in 1953 was presented as a reform that was supposed to bring a 5 percent increase of real wages. There is a strong suspicion, however, that in effect there was a certain decrease of real wages.

Eugeniusz Szyr: Agreed. Let us assume that the key subject of our discussion is the structural problems of industrialization and investment policy. I understand that we are dealing with basic relationships which determine investment and consumption outlays, their interaction and their timing. I believe that we must not forget the noninvestment factors of economic growth that have great effects and are often neglected causes of an excessive growth in investment outlays.

Bronislaw Minc: Now, we can look back at the 3-year plan period and the 6-year plan period. Experience and the progress of science make this easier. I wish to start by formulating certain theses for discussion. I think that there was not enough attention paid to the fact that at the beginning of People's Poland we were facing problems of economic underdevelopment. Poland was a country economically grossly underdeveloped and devastated by the war. Also, because of the war, our cadre training was seriously delayed. Because of this, and also because of the drive to accelerate economic development, difficulties had to arise. Especially, as certain national and social ambitions were added because of the political system. Thus, my first thesis addresses the impact of economic underdevelopment and its effects on the totality of the developmental processes up to and including 1980.

The 3-year plan was a very successful economic concept that fully passed the test and was accepted by the society. Thanks to it we successfully and quickly solved the post-war crisis. The great merit of that plan was to clearly define

the main objectives and systematically implement them. Using today's term, which was not used then, that objective can be defined as the maximalization of consumption resources. The aim was to improve the standard of living which was very low at that time. All the production and investment decisions were approached with the major objective in mind. Only such variants and such tasks were selected which produced the greatest increase of consumption.

It was the rule that during the first 2 years of the plan period, i.e. 1947-1948, no investments were made that would not produce results during the plan period. Only in 1949, investments were made which would produce effects during the 6-year plan period.

The 3-year plan was a great contribution to the development of our economic theory and practice but not only ours. That plan proved that such objectives as maximalization of consumption resources could be achieved and that all other tasks could be subordinated to such main objectives. Good economic planning was that which led to optimal implementation of a well-chosen objective. The assumptions were very modern, not only in relation to the then existing theory but also in relation to today's theory.

Stefan Jedrychowski: I agree with Prof Minc's evaluation of the economic reconstruction plan. But it is necessary to add that the circumstances were favorable then as indicated by the very name of the plan: it was a reconstruction plan. Thus, with relatively minor investment outlays, it was possible to achieve great results. It was done by eliminating bottlenecks and rebuilding the least damaged objects. Another favorable factor was the reconstruction of the regained territories which, although badly ravaged, had usable basic infrastructures. For instance, at the beginning there was no need to build residential dwellings in the territories. It was enough to repair and clean up the existing ones. Of major importance was that these territories could be used for agriculture.

It is necessary to add to what Prof Minc said about the main objective of the 3-year plan that its main objective had been to reach and exceed the pre-war standard of living. This was achieved. In certain respects, this was already done in 1947.

But at the time of transition from the 3-year plan to the 6-year plan we were facing completely different problems. While rebuilding the economy, it was possible to be guided by what had been there before but, while developing an industrialization program, it was necessary to answer some very difficult questions: what, when and how? And at the same time, it was necessary to rebuild Warsaw, Poznan, Szczecin, Gdansk and many other cities.

Eugeniusz Szyr: The 3-year plan was characterized by the fact that, although the targets were ambitious, all of them were significantly exceeded. Thus, the plan did not fully utilize the total economic potential.

This was a comfortable situation as opposed to counting on unused potential that is not there. Secondly, the noninvestment reserves were impressive. The

economy using extensive reserves never had such a surge upward as in that period. We had a huge surplus of manpower. They were young, strong men coming from the country, coming from the Eastern Territories, returning from P.O.W. camps and forced labor in Germany. They were vigorous, full of initiative and enterprising.

This, among other things, explains almost instantaneous reconstruction of comprehensive production facilities. Let me mention the renewed production of optical glass, railroad cars and production by many chemical plants. This was happening at the rate which today seems beyond understanding and belief.

In the years 1945-1946, the favorable international situation positively influenced economic processes in Poland. It was planned that one-fourth of the investments be financed by foreign credit and that there be economic relations not only with the East but also with the West. Negotiations with France and other countries were producing favorable results. There was hope that economic development will not be threatened. This changed already in 1947. First signs of questioning the return of Regained Territories appeared at that time and first steps towards the Cold War were taken. This must be remembered.

Stefan Jedrychowski: This should be discussed in the terms of Anglo-Saxon powers because France stood to the side and did not yet join this approach. It was the speeches by Churchill and Byrnes questioning our western borders and later the attempts to rebuild German bourgeois state that caused the reaction by USSR. Also, this was manifested by the unjust attitude towards Yugoslavia and the rejection of the Marshall Plan. (Initially, both in Poland and in Czechoslovakia there were tendencies to accept that plan.)

Bronislaw Minc: The events in 1948 did not really affect the implementation of the 3-year plan. Through all its years, i.e. in both 1948 and 1949, the main objective was consistently pursued, and that was to increase consumption.

A key element of this plan and its realization was the struggle against inflation. It was a matter of defending the zloty to forestall a decrease of consumption by the main strata of the working class. I had written a paper on this subject but in 1980 (before the August events) its publication was blocked. I am planning to publish it now.

It was quite obvious that because of serious backwardness, industrialization of Poland was absolutely necessary and had to be large scale. For instance, let us consider the population problem. In 1946, Poland's population was 24 million. This year, there is 36 million of us. What would all these people do if a great effort of industrialization had not been undertaken early?

Also, we had to decrease the gap in economic development that separated us from the more developed countries of Europe and the world. Besides, this was necessary to develop exchange and economic cooperation with foreign countries.

The 6-year plan was intended to play the principal role in the industrialization of the country. In this respect, the plan's objective was fully correct. Let us add that the share of accumulation in the national income was relatively

small, about 21-23 percent. In view of the large increase in national income, this indicates a relatively high effectiveness of accumulation.

Stefan Jedrychowski: This depends on the price system, the index of net share of accumulation in the national income is often misleading....

Bronislaw Minc: However, the basic error of the 6-year plan was to change the main economic objective. Maximization of consumption was replaced by an attempt to achieve the greatest possible increase of production capacity and economic capability.

I am developing a thesis for discussion: in the socialist economy, the only natural main economic objective comprehensible for society is to create conditions for the highest possible increase of consumption, of course this includes the development of health care, culture, science etc. This can be done either over a long period of time which requires a greater share of accumulation in the national income or over a shorter period of time when that share would be smaller. Increase of consumption, however, must remain to be the main economic objective.

Giving up this objective in the 6-year and the subsequent plans was unjustified. It led to negative results which persist till today. Because the main objective became the maximization of economic growth (or of economic potential) measured by the increase of national income, the main task became to increase the national income in constant prices which was associated with excessive accumulation and neglect of those sectors of the economy which determine the level of consumption and, generally, the quality of life of the population.

This led to a lack of balance in development of the economy and caused cyclical development. Necessarily, the greatest emphasis was placed on these sectors which produce the greatest increase of national income, i.e. primarily heavy industry. In these circumstances, there had to be a slowdown in agricultural development and consumer goods industries as well as services, infrastructure maintenance and repairs. This could not avoid having a negative impact on the standard of living of the population.

Why was this development cyclical? Because trying to maximize the national income in terms of constant prices, development was accelerated in the first period of each plan. This led to a neglect of those sectors about which I was talking. After a time, the lack of balance was becoming acute and this was forcing a redistribution in favor of consumption and those sectors that determined it. Consequently, investments had to be decreased and the work on investment projects underway had to be partially discontinued.

This practice was called "freezing investments." Of course, it caused economic losses. When, after a while, the balance was somewhat restored, the efforts were resumed to achieve the main objective of maximizing economic growth.

Cyclical development of the economy was caused by trying to achieve a certain main objective. During the 3-year plan, when the consumption was being maximized, development was not cyclical. Cyclical development appeared during the

6-year and subsequent plans when economic growth was being maximized. During the 6-year plan, an acute lack of balance appeared in 1953, in the fourth year of that plan, and consequently a change of allocations in favor of consumption took place at the Second Congress of the PZPR. That change, however, was inadequate and temporary.

With maximization of economic growth as the economic objective, a peculiar dogma is set forth: that there is a law that growth in the means of production (first category of social production) is faster than growth of consumer goods (second category of social production).

By the way, I may add that I spoke against this totally false dogma in 1954 and I was duly reprimanded for it in NOWE DROGI.

The peculiar cyclical development manifesting itself in an alternately accelerated and decelerated rate of economic development is caused by violating the regularity described several times by Marx: under socialism the main objective of the economy ought to be the maximization of living conditions, and of the population's standard of living.

All our development is based on the nationalization of industry in Poland. Our economic system must be described as an economy subordinated to the state. It is characterized by the continuing enlargement of the state's economic role.

The increasing and enlarging of economic role of the state were slow during the 3-year plan, but greatly accelerated during the 6-year plan and the rate became really rapid in the last 10 years. From a theoretical point of view, nationalization is synonymous with socialism but it is not synonymous with socialization. It must, however, be done in accordance with the classic precept of Marx to transform the state's economic functions into directly social functions.

The elements of social democracy which to some extent existed during the 3-year plan gradually disappeared. The economy became more and more subordinated to the state. Socialistic transformation leading to more thorough socialization did not take place. This was determined by changing the main objective of the economy, as I was saying before.

Eugeniusz Szyr: Just stating the objective is no guarantee. The best proof is that the Gierek team claimed that consumption was the main objective. We know how it was done. I think that it is not enough to consider the maximization of consumption as the main objective, it is also necessary to consider social changes. Two elements should be included in the main objective. Because it also consists of, as the professor said, creating socialist social conditions. This was the objective of the 6-year plan. Its implementation differed greatly from the theoretical plan.

The fact that the economy is speeded up during the first 2-3 years and then slowed down is caused by controllable factors. I think that the reasons can be found in the methodology and the errors of planning. Five-year plans are not tied to each other, there are no long-range plans, there are no plans

defining economic allocations for the next 10-15 years, there is even lack of continuity between annual plans and biennial investment planning--all that impacts unfavorably on the implementation of plans.

Also typical is lack of continuity between the last years of one plan and the initial years of the next multiyear plan. In those last years the important thing was to fulfill the plan and the new plan usually was not ready yet.

I think that cyclical development cannot be explained solely by an incorrect objective. No objective can be achieved using faulty economic planning.

I would like to return to 1953. At that time criticism of the "previous period" was voiced. In more or less the same words as today, a program was prepared for the Second Congress of the PZPR. It was accepted as the main objective that consumption must increase, agricultural services must be improved, the rate of accumulation must be lowered and investments slowed down (in 1954, investments increased by 3 percent and in 1955, decreased by 6 percent).

Stefan Jedrychowski: The objective of the 6-year plan was to significantly increase consumption. This was not achieved. The foundations of the plan crumbled. Excessive acceleration of investment processes and reorganizing agriculture into cooperatives without having the necessary technical means played their role. Additionally, in the years 1950-1951, the 6-year plan had to be supplemented by expenditures for armaments which was caused by the international situation. This was done at the expense of other elements.

The unfavorable developments in the 6-year plan were aggravated by the unfortunate international situation in 1950-1953.

Eugeniusz Szyr: At the end of 1951, there was a discussion at the Boleslaw Beiruts. We were facing the problem of inflation which was caused by exceeding the planned investment outlays and by the unforeseen expenses to strengthen the defense position of the country. It was necessary to scale down the objective in order to balance (the deficit was sizeable) the financial plan which at that time was being prepared and which lost its importance later because it ceased to be used.

At the same time, an exceptionally dry weather in the second 6 months of 1951, was seriously threatening bad harvests. As a preventive measure, it was decided to revive the rationing system without, however, limiting the investments. The enlarging of the armament industries at that time had to be done at the expense of other subsectors and by using the cadre taken away from the machine tool and chemical industries.

We were able to build tanks and start production of jet airplanes in Poland within 1 year. We had very good cadre in the armament industries. We started many difficult, complex production lines and the results testified to the ability of Polish workers and engineers. Soviet specialists stated that they had not expected production to be started at such a high rate and of so high a quality. No license in the 1970-1980 period was implemented at such a rate.

Stefan Jedrychowski: In that period,the best cadre were in the agricultural machinery industry. This was the only fully developed machinery producing industry in Poland. And this sector should have not been permitted to suffer.

It must be said that in that period we developed other industries too. Then, starting from scratch, the development of the shipbuilding industry, truck bui building industry, metallurgical industry, ball bearing industry and chemical industry was started.

Bronislaw Minc: The 6-year plan, both its concept and its implementation, despite the reservations I have mentioned before, was a great step forward. Implementation of this plan, for the first time in history, provided the foundation for Poland's large-scale industrial development. It was the 6-year plan that provided the means for an increase in consumption which might have been modest in terms of real wages but significant considering the increase of employment; this continued in the period after 1956. The increase of national income was largely due to the increase of labor productivity which took place despite the increase of employment. Large-scale technical progress took place at that time.

Eugeniusz Szyr: There were accusations that the 6-year plan devoted 60 percent to new investments and only 40 percent for modernization and reconstruction. In the last 10 years, only 20 percent have been spent on modernization and reconstruction.

Bronislaw Minc: I still insist on what I said before about the role of the main objective. Contrary to the 3-year plan, in the following plans, when there were difficulties, it was wages, residential construction and services which were sacrificed, all elements that served the direct consumption, while great effort was made to preserve the investments. Of course, economic growth must take place, but it must be optimal and not the highest possible. Only the main objective of the plan should be maximized and it should be the consumption.

The cause of cyclical, crisis ridden development is the increase of the role of the state and the reduction society's role in the economic process which is the result of accepting the maximization of economic growth as the main economic objective. Crisis situations are the result of the processes stemming from the economy subordinated to the state. Changes in the base, in the economic system were not sufficient. Of course, controllable errors are very important too but they can occur systematically only when there is lack of social control and when the character of main economic objective is not clear.

Fourteen years of Wladyslaw Gomulka's government was also a period of regression. The incapacitation of workers' councils in 1958, creeping bureaucracy and the events of 1968 and 1970 bore witness to that regressive process.

Eugeniusz Szyr: We are continuing the discussion whether it is principally the formulation of the objective or errors in the art and methodology of planning that influence the implementation of plans. In my opinion implementation of plans, especially in the area of investments, is mainly influenced by erroneous planning methodology. In light of today's scientific knowledge, I am convinced that, especially in the seventies, economic tools to plan investments and cost-effectiveness analysis of production plants were not used.

Long range quantitative analysis was not done and cumulative effects of investments were not considered. A glaring example was to offer to some Western countries to export electrical energy, coke and carbide. There was also some talk about exporting lime nitrogen.

Theories were proclaimed that exports of energy and material-intensive products should be increased because there is an abundance of raw materials in Poland. Long range quantitative analysis have proved without any doubt that export of highly energy-intensive products does not pay. There were individual attempts to introduce such an analysis but they were ignored because of lack of understanding. Investment planning was far removed from the context of interbranch and intrabranch analyses or of being done by comparing effects of optimal solutions.

Regarding exports, the cost-effectiveness analysis should not be based on the system of ministerial planning. The dominance of ministerial planning approach automatically determined the ministerial investment planning. This favored the creation of pressure groups and, in turn, they distorted even the most correct opinions. Of course, planning to improve consumption requires outlays for coal, transportation and energy without which production cannot be expanded. In 1946, as much as 70 percent of investment outlays were devoted to that purpose. Today we are facing the same problem. Again, the economic life of the country depends on increased coal production.

Stefan Jedrychowski: I agree with Prof Minc regarding the role of main objective. In practice, the objective of the 6-year plan was to develop production capacity rather than to increase consumption. Residential construction provides an example. There was no plan to solve the problem of residential construction. Residential construction was just an appendage of industrialization, it was tied to new, large investments. Reconstruction of Warsaw was an exception.

Bronislaw Minc: I would like to emphasize that during the 3-year and 6-year plans, pressure groups were not deciding the overall economic policy. After 1970, however, they began to make decisions and upset the balance.

Stefan Jedrychowski: In the last phase of the 6-year plan there were symptoms of crisis related to failures in achieving the aims in improving living standards. The information about a 29-percent increase in real wages was greeted with resentment and protests.

We were dealing with the frustrations of Polish society after the death of Stalin and especially after Khrushchev's revelations at the 20th Congress of the Communist Party of the Soviet Union. The climax occurred in 1956. The additional cause of the Poznan events was lack of responsiveness of economic administration to petitions, complaints and grievances. This was crucial. There was also a local factor: the Cegielski Works had poor prospects. Production of steam locomotives was coming to an end and the new product line, that of marine engines, was not yet in sight. This was reflected in the wages and in the mood.

The subjective feelings of people were that the standard of living was very low and that it was improving very slowly. This was the background of the crisis which was reinforced by the negative political events of that period. Limitations on investments after the Second Congress was started too late and on a too restricted scale.

Eugeniusz Szyr: I have a different opinion on this subject. An investment commitment cannot be redirected quickly to new investments aimed to maximize consumption. To solve the problem of restructuring investments within 2 years has been and is presently almost impossible. Consequently, what was achieved then was really quite impressive. Many investments were frozen and the start up of new ones was stopped.

I believe that shifting the investment resources to agriculture at that time should be viewed critically. They were too small. This, however, does not change my opinion that in 1954-1956 we did not deal with an economic crisis. But, of course, the perception and the feelings of people do not have to agree with figures or even facts. There is no doubt that the standard of living of millions of people who moved from the countryside to the cities had improved. But it was a difficult period for highly skilled workers. Certainly, the situation of intelligentsia has not improved. The social dissatisfaction undoubtedly had economic roots but the causes were primarily social and political.

In the years 1954-1955 there was no breakdown in the implementation of the plan, the market was in equilibrium. We should now like to have a market like we had in 1954-1955; of course, I am referring to the state of equilibrium, not to the level of consumption.

Bronislaw Minc: I think that in 1956 we had a crisis which started a whole series of crises. There would have been no crisis in 1980 if there had not been a crisis in 1956. But the main cause of the crisis then was social, in the narrow sense of the word not economic. There was a crisis of the system that manifested itself by exposing personality cult and lack of progress of democracy, primarily social but also political. No doubt, there was also disillusionment among the working masses regarding the rate of growth of consumption and a negative attitude to excessive differences in income and social standing of various social groups.

In Poznan, at that time, the requests were very mild. In 1980, they would have been satisfied immediately. Gierek would have added a few more billion to avoid strikes. But the administration at that time was oriented towards accumulation and reduction of costs and it viewed those requests with horror. A social crisis does not have to be the result of a decrease in the national income.

The weakness of all discussions of the sources of crises is that they are one-sided, they tend to consider the superstructure, the role of leadership, etc. Thus, we cannot dispel the threat of new crises. The sources of crises, analysis of which would permit us to reverse the course of fatal events, have to be sought at the base or the socioeconomic system. Only then, would it be useful to analyze the superstructure and the resulting conditions for the true socialization of economic process and for restoring to socialism its true spirit. The true spirit of socialism is to treat economic objectives as means to create conditions for comprehensive human development and for economic decisions made directly by the society and its organs.

Stefan Jedrychowski: Wladyslaw Gomolka, from the moment he assumed his duties, became deeply involved in the agricultural policy problems. Unfortunately, the hallmark of his actions is that, at the start of his comeback he severely

criticized the subsidies to state agricultural farms which at the time amounted to 1 billion zloty and, when he was leaving, the subsidies to state agricultural farms amounted to 6 billion zlotys. I have to admit that I did not quite agree with Gomulka's position presented at the 7th Plenary Session. His presentation was not approved by the Political Bureau. Supposedly, two members of the Political Bureau saw it in advance.

I have to say that Wladyslaw Gomula at all times put pressure to consider in any economic activity the needs of agriculture and, in the 1960's, a lot of good was done in this area. The artificial fertilizer industry was developed and old manufacturing plants were significantly enlarged.

Eugeniusz Szyr: Lack of a consistent agricultural policy was always our Achilles' heel. The roots were in the planning errors, erroneous economic analyses and in the social factors of increased agricultural production. Problems were often expressed in amateurish terms. Also, actions were taken just to impress the public as in the case of chemical fertilizers.

Personally, I believe that the effectiveness of fertilizers is very low because of the lack of synchronization with the supply of plant pesticides, agricultural engineering support, and agricultural machinery and equipment. In the area of investments for land improvement, drainage was preferred but it was discovered during the first drought that there was no system to bring in the water The alliance of workers and peasants was often violated and there was no consistency in developing agricultural organizations and peasant self-government.

Stefan Jedrychowski: Gomulka's concern for agriculture was rather one-sided especially when the line between agriculture and food industry was crossed. He did not agree to treating jointly all investments in the food economy sector. He tried to eliminate all imports of grain and fodder. At that time, imports amounted to 3 million tons. Today, when the amount is 9 million tons, his efforts may seem justified. Under the circumstances then prevailing, it was not rational. The plan for the years 1966-1970 should have established, it was really inevitable, the number of hogs would not be increased. The Planning Commission received an order to maintain the number of hogs at the 14 million level. As a result, there was a limit imposed on meat production and, thus, on meat consumption.

Eugeniusz Szyr: During that time, I prepared a proposal to treat grain imports separately and to devote a separate import category to hog production. I proposed the use of the income derived from slaughter animal meat export to pay for grain and fodder imports. Economic analysis proved that under the conditions then prevailing, this scheme would have been profitable.

Stefan Jedrychowski: I remember this subject being discussed at a Political Bureau meeting or in a smaller group. We proved that it was profitable by using the example of other socialist countries--Hungary and Czechoslovaka.

Eugeniusz Szyr: It is worth remembering an anecdotal fact. In a half-conspiratorial manner, we undertook to export outside the plan the slaughter animals and beef which were much more expensive in Western Europe than pork.

Taking advantage of the price differential, the extra monies obtained were kept in a special bank account which served to finance the import of pork outside the plan. When, by chance, Boleslaw Jaszczuk learned about this, there was a scene and the account was frozen.

Stefan Jedrychowski: Wladyslaw Gomulka was afraid of debts even when credits could have brought high returns. He was afraid of inflation and bankruptcy. Both of these fears seem justified in view of what was done by the Gierek and Jaroszewicz team. But at that time, his fears were dampened by the development and the increase of standard of living.

Eugeniusz Szyr: Wladyslaw Gomulka also had erroneous views on so-called selective development. In fact, he was misinformed about these matters. His aim was to eliminate the airplane and flax industries and to limit the shipbuilding industry.

Stefan Jedrychowski: The Economic Council, which existed in the late 1950's developed an economic reform plan similar to the current concept of independent and self-governing enterprises. Gomulka rejected it without discussion. This was not even a subject for discussion at the Political Bureau. The negative decision was passed by Wladyslaw Gomulka to Jozef Cyrankiewicz and, soon after, Gomulka sent the word to do away with the Economic Council. In 1956, there was an increase in development workers' councils. But soon there was a drift away from that. Workers' Self-Management Conferences were set up soon and they consisted mostly of people who participated because they had positions in other organizations: party, labor unions etc. The last phase of doing away with the self-government, already during the tenure of the new team, was to eliminate most of workers' councils in 1979. This was done under the slogan of enlarging workers' self-government.

In the 1960's, many restrictions were imposed on the Planning Commission. Agricultural production could only be planned according to the level of average harvest of the last 4 years. There was a fixed limitation imposed on the food and agricultural exports. This was done not to satisfy the needs of the country but conform with the then popular thesis that such exports are unprofitable. The upper limit was 1.3 billion of foreign exchange zlotys. It was considered that if earning $1 costs more than 60 zlotys then it does not pay. Even though for that "unprofitable" export it would have been possible to obtain highly profitable imports. When the new government team changed the situation, it turned out that there was a considerable net gain.

Short-term indebtedness was not permitted to exceed the $100 million plus limit. Compare that with the 1970's when short term indebtedness reached $3 billion. It was permissible to use only conventional credit to buy grain and fodder for up to 3 years [garbled sentence follows] credits related to purchase of major investment items. To help ourselves with financial credits was out of the question.

In view of the madness that reigned in the 1970's, these restrictions appear reasonable. In fact, in those days, they were going to the other extreme.

The foundations of a generalized plan for the next 15 years were prepared. They were also rejected, however, without any discussion. I guess that the reason was that the highest priority aims were in the area of consumption. The attitude was that we were leaning too far towards consumption. As the time passed, this attitude became more prevalent.

In the late 1960's, in the area of residential construction, in view of rising costs the so-called inexpensive construction was favored which had conveniences in the halls for common use. In 1969, the growth of outlays for residential construction was slowed down.

I would divide those years into two periods. Until 1959 we had relatively successful development. We used the reserves created during the 6-year plan and the Soviet and American credits. Conversion of defense industry to civilian production took place. Thanks to this, the production of many durable goods was begun. This was a real achievement of the 6-year plan which came to fruition in the late 1950's.

In the 1960's, accumulation started growing again, new developmental priorities were established. At that time, our production capacity and national income were growing at a relatively good rate. They were growing at the rate of 5-6 percent annually. In those years, the growth of employment was also sizeable. In the 1970's, a thesis was advanced that a growth of investments was necessary which to satisfy the need for employment opportunities. I have made some calculations and it turns out that in the 1960's more jobs were created than in the 1970's with the help of three times lower investment outlays in constant prices. At the same time, the growth in the standard of living and the real income was very low and very slow. It amounted to about 2 percent per year and in some years it hovered around 1 percent. With such growth, some sections of the working class and the intelligentsia must have felt that their situation was deteriorating. Of course, the growth could not have been even. There was some discontent and frustration. This was the background in 1970.

Despite this, I believe the 1970 crisis could have been avoided, regardless of certain stagnation in the standard of living, if it was not for the fact that in 1967-1970 several deflationary measures were taken that affected the situation of many groups within the working class. Piecework requirements were raised without monetary compensation and the so-called wage scales were being eliminated which affected skilled workers.

The new system of economic incentives which was scheduled to start on 1 January 1971 took away from the workers the hope of quick improvements. That concept was being prepared for implementation since mid-1970. That system, in its first phase, led to decreases of wages and was immensely complicated. Even members of the Political Bureau could not understand it.

I did not agree with that plan. On the other hand, Wladyslaw Gomulka, attempting to make the system perfectly fair, introduced detailed corrections, thus making it even more complicated and less understandable. This also reinforced the feeling of discontent. Then, in December 1970, there was the sudden and unexpected price increases which was to be offset by price reductions of some durable goods. The working class and the society did not accept it.

Eugeniusz Szyr: It is a fact that it was done in complete secrecy. At that time, I was the vice-premier whose jurisdiction included the market matters but I did not receive the information even about the preparation of price increase. The chairman of the Price Commission came to show me in confidence the already prepared documents.

Stefan Jedrychowski: Day before the meeting of the Political Bureau during which these matters were to be decided, we received some materials which did not clearly indicate what would be discussed. There were various tables and price ratios. During the discussion, only I voiced some objections and doubts. I was against the increase of prices. Later, at the Eighth Congress, I did not speak up, I was discouraged because many comrades who had previously stood at attention without one word of protest were now very eager to speak and were taking advantage of the situation by venting their suppressed complaints and ideosyncrasies. Eugeniusz Szyr also occasionally stood up to Gomulka. But he was an exception.

Eugeniusz Szyr: Speaking about the sources of the 1970 crisis it is necessary to remember 1968. Without it there would have been no 1970 regardless of how one evaluates the roots and causes of the 1968 events.

Stefan Jedrychowski: Except that the working class was not involved in the 1968 events, not on a mass scale anyway.

Bronislaw Minc: I am submitting the following thesis: during the crisis in 1980-1981, the experience, the results and the scars of the crises in 1956 and 1970 played an enormous role. In both cases, new administrations obtained power riding a wave of criticism and hope. But their policies were simply the continuation of errors which had caused the preceding crises. Also, there were regressive moves. First, workers' self-government was discontinued and transformed into Workers' Self-Government Conference; second autocratic and irrational decisions were made, mostly in the economic field. In the year 1968, there was a crisis involving the intelligentsia and the students. It was an ominous signal of a social storm that was not understood.

Adopting a policy, later dubbed the "March policy," blinded the party and government, accelerating the crisis and distracting direct attention from the real causes of the coming crisis, which could still have been prevented. Instead it deepened contradictions and aggravated negative phenomena. In this sense, the year 1968 prepared the ground for December 1970. And one more element. While Wladyslaw Gomulka was in power, personality cult became pronounced. But Gomulka achieved power as a result of violent criticism of this phenomenon in the party and the society. The criticism that Gomulka directed against his predecessors in 1956, can be fully applied to him because of his policies and practices in the 1960's.

His policies continued to increase the role of the state and to decrease self-government.

Economic policy continued to have as its principal objective maximization of [illegible]mic growth rather than consumption. The optimization theory was totally

ignored. There was a certain optimum of foreign credits that should be obtained. These credits were to be neither too large nor too small. Also, there was a certain optimum in trade relations with abroad. The volume of foreign trade was to be neither too large nor too small.

At the end of the 1960's, the opportunities for development of economy, including credit and relations with foreign countries were not fully used. The economy had elements of deflation and stagnation. The society felt that the prospects for the future were poor because of stagnation.

At the same time, science and planning were demoted. This was especially so in the field of economic sciences. For instance, the concept of selective development was completely at odds with the modern economic theory which emphasizes that the economy must be treated as a system.

The meat price increases in 1970 were correctly seen by the working class as an absolute threat to its standard of living. The compensation offered was illusory.

Stefan Jedrychowski: If one compares the increase proposed by Jaszczuk, which amounted to a total of 14 billion zlotys, with the increase proposed by Gierek and Jaroszewicz in 1976 it appears that the latter would have amounted to a total of over 100 billion zlotys.

Bronislaw Minc: There was another difference, however, that in 1976 income was rising while in the late 1960's they were stagnant. A farsighted policy would have avoided price increases at the time of retrenchment and stagnation. If, however, such increases had to take place under the conditions of stagnation or economic crisis, serious difficulties had to be expected.

Eugeniusz Szyr: In the late 1960's, the center of decision making which properly belong to the government, moved to the Political Bureau. The situation was such that the government could not make any serious decision. Most often, decisions were made by the economic secretary of the Central Committee invoking the position taken by the first secretary. The practice of restricting decision-making to an ever more limited circle of people culminated in the next decade, during the years 1970-1980.

The above mentioned processes started to develop in the late 1960's and at the same time the role of the Planning Commission was diminished and its influence on correct economic development decreased. The first secretary made authoritative decisions about increasingly more detailed matters. This was the foretaste of the situation that developed to monstrous proportions in the 1970's.

Political revival after 1956 also impacted the operations of the Central Committee. During the first years, there were quite spirited discussions at the Central Committee. Later, discussions died out and reporting style dominated. Arguments did not develop. Especially, during 1966-1970. At that time, the conditions for correct economic and social policies still existed. Solid information about society's feelings were reaching the leadership but they were deaf to those voices. Gomulka was reading the information and his reaction was to

suffer but not to take political action. He did not comprehend that there was a threat of social conflict if we continued with existing policies.

Decisions such as the price increases in 1970, should not have been taken without considering social consequences. The point is not how much could be gained but the question is how much could be lost. From the economic point of view, the meat price increases were justified, if the compensation had been persuasive, even though its value significantly exceeded the value of meat price increase. The matter of price relationship alone was well worth it. But nobody wanted to discuss the various possible solutions to this problem with a wider group of people.

Additionally, expanding the number of price increases reinforced the degree of surprise and upheaval. The process of secret decision making under the social conditions prevailing in 1970 showed a blindness and detachment from reality as well as contempt for consultations with the party and society.

I agree with the view that the successive social conflicts had a common source: personalities changed but, despite initial promises, the operational mode of the party and the state remained unchanged. That mode was the centralism without vibrant intraparty democracy and a planning and management system not appropriate to the level of development of production capacity and not responsive to the need for developing socialist social conditions.

Economy Between 1971-1979

Warsaw FUNDAMENTY in Polish No 30, 26 Jul 81 pp 5,6

> [Text] In the previous issue of FUNDAMENTY we published the first part of an editorially sponsored discussion entitled "The Windings of Industrialization" in which Stefan Jedrychowski, Bronislaw Minc and Eugeniusz Szyr analyzed our national development. That discussion covered the period 1945 through 1970. Today we are publishing the continuation of that discussion in which the participants, prominent economists and organizers of the economy, deal with the period of the 1970's. We give them the floor. At the same time we are informing our readers that their comments will gladly be published, especially because a sizeable number of our readers are familiar with the previous periods from their own social and work experience.
>
> The Editors

Bronislaw Minc: In the 1970's, the state's economic functions were enlarged and the bureaucratization process was progressing. That bureaucratization included the state enterprises and it was bigger than just the central bureaucracy. That period was characterized by the growing monopolization of the economy. Monopoly of the state in various fields was reinforced directly and indirectly. Large economic organizations were created which had monopolistic positions in which the customer faced only one exclusive organization.

Symbolic is the elimination in 1976 of the state retail food trade and the creation of one monopolistic organization. The chairman of "Spolem" served simultaneously as the deputy minister of trade and services. As a result, the consumer was totally disarmed. He did not even have a choice between two organizations, as he had before, and had no one to appeal to.

Eugeniusz Szyr: I think that to evaluate this period, it is necessary to consider a broad spectrum of problems. Of special importance is the fact that during that period the planning process was weakened and the methods and forms of managing the national economy had badly deteriorated. The theory of open ended planning actually meant giving up the discipline to implement 5-year plans and the infraction and breaking of quantitative relationships prescribed by the plans. In investment planning, it was permitted to freely add to the plan large, new investments which occasionally had no relationship to the previously designed programs. And the bigger, the more costly the investment, the lesser the requirements were for control of project documentation. The majority of large investment projects, even those whose costs exceeded 100 billion zlotys, were added to the investment plan on the basis of preliminary estimates without technical and economic analysis or technical documentation.

Negative changes also spread to the area of economic activity. Salaries and social services were determined on the basis of foreign loans rather than national income without considering that the moment would come when it would be necessary to lower the real value of monetary income to repay the credit obligation, especially those incurred for consumption and raw materials purchases needed for current production. In the late 1970's, 70 percent of foreign credits were not used for machinery and equipment purchases but for raw materials, fodder, consumer products etc.

Loans were granted to various investment undertakings without an exact calculation of their effects and without analysis as to the repayment capability within the prescribed time. All permissible limits between credits and exports were exceeded, both those based on conventional and those based on economic determinations and calculations.

Effective control of these problems was made impossible even for the Council of Ministers. Thus, a "credit noose" was put around the neck of our economy. It was said that that indebtedness could be repaid by the exports produced in the factories built with investment credits. But when we compare the relationship between the purpose for which the investments were used and their usefulness for exports, it turns out that many assumptions were wrong and many calculations faulty. Also, a new kind of credit was created outside the plan which was justified by the recipients with their commitment to the so-called "self-repayment." In this manner, the already extended plan was increased by many new large investments. The majority of these investments either could not achieve the "self-repayment" or achieved it in a fictitious manner.

For instance, they started export of forgings from the Jawor plant to repay loans. It turned out, however, that at the same time these products had to be imported for domestic consumption. While importing, we were paying a higher price for importing the same forgings. If the "self-repayment" was continued, it would mean a clear loss of hard currency. Hence, the conclusion that the decision to permit purchase of equipment on the "self-repayment" basis was based on erroneous analysis.

Interministerial comparative cost effectiveness analysis of investments was not used in practice. Planning consisted of summing up and correcting ministerial plans mainly from the point of view of total outlays. There was no directive to define objectives and on that basis to determine the function and organization of investment process. Formally, recommendations to start new investments were supposed to be preceded by an examination of the possibility to use, modernize and renovate some existing facilities. In fact, however, only the proponent's statements were considered.

The size of ministerial outlays was decided, to the ever growing degree, not by economic analysis but by the so-called "pull." Pressure lobbies have always existed and will exist but they would not have much to do if a correct economic and financial system was in operation and correct tools were used; tools which would apply comparative cost effectiveness analysis to extended investment outlays and to the economic effects on the users of goods produced after an investment is operational.

Gradually, attempts to conduct the correct analysis were abandoned and not only the planning became open-ended but also the analysis pointless.

The most severe economic consequences resulted from the wrong estimation of demand for coal and energy. Based on the theory that Poland has at its disposal cheap energy, it was concluded that Poland should export energy, fuel and energy intensive products. In practice, this meant offering for export greater amounts of coal, electrical energy and even lime nitrogen and carbide while the domestic deficit was growing.

A classic example is offered by the plans for gasification of hard coal. The processing of 35 million tons of coal by 1990 was anticipated despite the fact that such a quantity of coal for gasification was not available nor could it be made available. The first large plant for which a large loan was obtained was supposed to assure the processing of 6 million tons of coal during this 5-year plan. From the point of view of availability, it was obvious that such an amount of coal could not be used for this purpose without decreasing exports. These arguments were not accepted. Some professors, e.g. Prof Szuba from Katowice, supported strongly this unrealistically extensive project for gasification which, moreover, was based on outdated technology. The cost of this investment was underestimated, similar to what happened in the cases of Ursus and the Katowice iron works. Later, the costs grew and reached 130 billion zlotys. The unprofitability and the lack of realism of this undertaking were striking.

These and related subjects were discussed in closed circles but any reservations were brushed aside and their proponents removed. Luckily, already in 1980 there was an acute shortage of resources making it impossible to implement this plan.

The most negative phenomenon was the progressing deterioration of the economic and financial system and the growing limitation of society's participation in formulating socioeconomic policy. Large economic problems were discussed in an ever smaller group and the decisions were made by fewer and fewer people.

Also, at the last moment we avoided--the government decision had already been made--to start intensive development of an iron ore mine in Suwalki.

There are many more examples of similar recklessness. This is how the investment commitments exceeded 1.2 trillion zlotys and, if complementary investments are included, 1.5 trillion zlotys.

One of the methodological errors was to use a deficient comprehensive development program, or not to have any, for a given subsector or branch where huge investments were made. The Soviet data base on the amounts of interbranch throughput indicate for example a direct outlay for construction of an automobile factory requires sevenfold greater outlays for indirect investments, including coproduction facilities, service facilities and increases of metallurgical, chemical and other outputs.

The national economy can cope with the construction of large investment complexes if it is preceded by a comprehensive and thorough analysis of all eventually needed outlays. The reverse procedure was used. Anticipated costs were artificially underestimated and occasionally some basic components were simply omitted. This is the way it was with the outlay estimates for the construction for mining the new coal basin in Lublin voivodship.

Stefan Jedrychowski: One of the sources of the current crisis is that the economic equilibrium has been disturbed not only in the investment field. The increase of consumption, wages and other income of the population above what really can be afforded also had great significance. The First National Conference of the PZPR in October 1973 introduced changes in the 5-year plan both increasing the investment outlays and accelerating the implementation of the program to raise wages and social emoluments. This, unavoidably, created stresses in the national economy which accumulated with time.

At the basis of this policy was a peculiar philosophy that placed dynamics first and balance and economic effectiveness last.

Our experience and that of other socialist countries show that if accumulation starts to exceed 25 percent of the distributed national income the stresses tend to grow. But this is determined not only by the level of investment outlays but also by their structure, especially by a large share of long-term capital intensive and not so effective investments which push to the back the quick return, modernizing investments.

Also, we had to deal with improper distribution of investments among individual sectors and subsectors of the national economy. The investment boom profited, for instance, the machine tool industry while the investments in the chemical and energy industries remained behind. The same can be said about the infrastructure whose share of investments declined. The results are shortcomings in the health services, education and culture.

The tendency to undertake spectacular projects was dominant. When the crisis was already brewing, a new project "Vistula" came to the forefront, it would have involved new, colossal investment outlays.

Between the Sixth and Seventh Congresses of the PZPR, the Political Bureau enacted about 80 development programs for various sectors and branches of the national economy. Each of them had some value and was creating some prospects. But their combined investment impact exceeded several times the real capacity of the national economy even using the most optimistic estimates. In this situation, the planning body was faced with pressure from the investors and the ministries using these programs as their weapons. The internal consistency of the investment plan was often coincidental. The one who won was the one who was the strongest in the pressure game. A lack of balance resulted.

I do not think, however, that we should condemn everything done in those years. The first 3 years were a period of relatively successful development. Investments and population's income were growing and the indebtedness was still within limits. The limit of safety was crossed only at the end of 1974 and the beginning of 1975.

From society's point of view, the first stresses, namely shortages of meat, appeared only in 1975.

It is a fact that the so-called WOG [large economic unit] reform favored strengthening of large monopolistic organization which grouped individual enterprises. There was a fight to provide them with the parametric system. But at the same time these large economic organizations were reinforcing the directive system regarding their subordinate enterprises. The WOG reform did not include the whole economy, was not comprehensive and failed when confronted with the parallel directive system.

Bronislaw Minc: I reiterate my view that the growing process of monopolization and bureaucratization was the cause of planning errors and of the detachment of planning and management from the economic reality. This, in addition to other serious causes, had to lead to the events of 1980.

There is a high degree of production concentration in Polish industry which provides the natural basis for the process of monopolization. Consumers and other recipients of production are in a worse position than in capitalistic countries where oligopoly exists but where the consumer can choose among various enterprises. True, there is no price competition among oligopolistic enterprises but there is competition regarding the selection and quality of product. Thus, the recipient of production is not indifferent whether he has or has not the choice of two commercial organizations, whether there is or is not someone to receive his complaints... [upper portion of p 6 missing]...in current prices. This was the value added, a variation of net production. The increase of the wage fund was made dependent on the increase of the value added. This had to lead to highly negative outcome. Production was deformed because enterprises were trying to achieve the greatest increase of value added regardless of cost and at the expense of the structure of production. The increase of value added was measured annually. Consequently, outlays for technological progress did not pay, and especially so, for production improvements. Those outlays which paid off in a few years were not profitable because they decreased the annual growth of value added and limited the growth of wage fund. The same applied to undertakings involving justifiable risk. The result was degradation and

bureaucratization of production. All efforts were aimed at achieving the indicators rather than satisfying the needs of customers. Everything that did not produce additional value added in a given year was neglected.

From the economic point of view, the so-called structural effect was taking place. If an effect can be achieved through production of several assortments of goods, the natural tendency is to select the assortment which can be produced with least effort. For instance, by not lowering the costs, not introducing innovations etc.

Basing the economic mechanism on any index governing an enterprise wage fund provides a stimulus to inflation. This is so because wage fund grows as expensive products are encouraged and, thus, the supply structure becomes deformed. (Incidentally, I will tell you that resolution No 118 of the Council of Ministers, on the subject of the so-called minor economic reform introduces net production as the substitute for value added but both are really variations of the same concept. This index will determine the wage fund. In result, we have a deformation of production and even stronger stimulus for inflation. The proposed major reform also moves in the same direction as it sets up annual profit as the chief index which will determine the...[section missing]

...we had in 1974. It amounted to 35.6 percent. Later, a decline took place. Also, during these years the suicidal credit policy was started.

The WOG system also began in the early 1970's. Already then, the conditions leading to the crisis were established. In the attempt to combine the accelerated economic growth with the growth of real wages, the former dominated. The increase of real wages was affected all the time by deformations of production and hidden price increases and was sacrified when the difficulties appeared.

Eugeniusz Szyr: Despite the cyclic pattern observed during individual 5-year plans, when plan targets were brought down as stresses showed up, half way through this one, in 1973, some decisions completely contrary to that experience were taken. The rate of growth of investment outlays was increased and at the same time the outlays for wages and social services were raised too. This was the key to the future tragedy.

Until 1973, the economic situation was developing correctly and the indebtedness did not reach a too high level. Then the reserves left over from the previous period were basically exhausted. There still were some extensive essential reserve. There was, however, no objective analysis of the internal and external reasons for that successful development. Some economists, e.g. Prof Ruarz, claimed that even exceeding the 10 percent rate of annual growth of national income every year should be achievable in our economy. Already then, the example of Japan was thrown in our faces. Also, our high rate of economic growth was contrasted with lower indices in other socialist countries.

I believe that the essential problem, both in the 1970's and during the entire previous period, was that the production and the growth of productive capacity should have been in harmony and that the occurring contradictions should have been overcome by adjusting...[section missing]

....Conclusions and recommenations on this subject submitted by the Ministry of Resource Management did not bring any response. If our investment policy was geared to minimize energy consumption, there would not be such a gap between the production capacity and the ability to provide energy for it. This is the area where solutions for the future can be found. Quite often we can lower the consumption of fuels and energy per unit by investing many times less than would be required to increase the fuel and energy production by the same amount.

The outdated ratio of various products in the production of steel and rolled items was compensated for by a large quantitative increase of production and the plans for the distant future visualized the highest consumption in the world of steel per capita. Accordingly, the capital intensiveness of investments was growing in comparison to the outlays for enrichment of the variety of metallurgical products.

There was no systematic analysis of options leading to the same result. For instance, this applies to construction. Houses can be built of bricks, concrete, cinderblocks and other materials. Insulating materials, such as mineral wool, can decrease the quantity of concrete needed and, more importantly, can lower the heating energy losses occurring in poorly insulated buildings. Economic calculations showing the high effectiveness of solutions using substitutes were submitted but they were not appreciated. Other methods of residential construction were not developed, indeed were not even started. The same applies to the fact that resources were not directed to construction of facilities to produce insulating material but rather toward the excessive expansion of the cement industry.

The data on the decrease of the index of shift work in the production plants indicate that the efforts to improve the utilization of our productive capacity were meager. The outlays for modernization and reconstruction of existing facilities were consistently reduced. [section missing]

....Despite everything, the substantial growth of fixed assets in the 1970's and the unfinished investments which, when started, will bring great results and must not be ignored. Many elements for technical progress were created. Under proper conditions they can be used. Thus, after a transition period, there are basic conditions for directing our economy towards effective development.

Stefan Jedrychowski: I think that serious stresses in our economy began to grow only after 1973 and that they did not surface for the next 2 years. At that time, there was a great increase of prices of fuels and energy on the international market with the oil crisis. At that time, our economic and credit policies should have been changed. This was not done.

I do not quite agree with Prof Minc about the reasons which caused the collapse of the WOG system. The parameters were designed to be economic tools for the central authorities to steer the economy. Why did it not work? The plan was not translated into parameters and, contrary to its concept, the WOG's retained a wide margin of freedom to set prices. Under the conditions of prices affecting the value added, this had to have an inflationary impact. I believe that the weakness of the WOG policy would require a separate discussion.

At this point, I wish to draw your attention to a more basic matter. The erroneous, authoritarian socioeconomic policy was possible because of the existing political system. I have in mind the autocratic system of management not only of the economy but the state. It did not permit criticism and self-criticism or the exchange of opinions. It was considered that whoever had the power was wisest and had the exclusive right to make decisions. Such an authoritarian system of economic management.... [section missing]

....(It is necessary to apply such concepts as objective function, limits, synergism, external effects, etc.)

Eugeniusz Szyr: Those who have made decisions in the last 10 years can be accused of many things but certainly not of having any knowledge of economic theory.

There is still a lot of uncertainty in economics and many opinions, including those of Prof Minc, which are being disputed. In the last analysis, many decisions must be made with a limited store of knowledge. As a rule, decisions affect a broader area than that covered by available knowledge, even under the best of circumstances. It is necessary to make decisions under the conditions of uncertainty. Occasionally, decisions must be made while faced with contradictory opinions of experts. The choice of solutions is up to the decision-maker.

Changes in the management system should lead to a significant increase in decision-making authority at the economic units, field administrative offices, etc. This would further increase the importance of scientific methodology and economic tools to facilitate the optimal decisions.

Management does not rely only on economic theories. It is essential to know social psychology, the results of sociological research and the organizational methods and techniques. There exist a family of scientific research whose results permit the anticipation and elimination of the contradictions arising in the society and the economy.

Contradictions will always accompany social and economic development. Hence, the enormous importance of research methods and practical experience related to these problems.

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LABOR-WAGE PROBLEMS DISCUSSED IN INTERVIEW

Warsaw ZYCIE WARSZAWY in Polish 21-22 Nov 81 pp 1,2

[Interview with Labor Minister Prof Antonim Rajkiewicz, by Halina Lesnicka: "Zones of Social Protection and Zones of Sacrifices"]

[Text] [Question] Mr Minister, in assuming this post you declared that this would be a ministry of human affairs and social understanding. How are you managing to do this?

[Answer] We are operating under tremendous pressure. Of the 111 days which have elapsed since I took over the ministry, I have spent only 4 days at my desk in the ministry. Two-thirds of my time is taken up with negotiations with the trade unions and the resolution of conflict situations. We are a ministry in which representatives of all the trade union centers sit down at one table. At the same time, it is worth mentioning that in general, despite the position of these centers, just about all the branches fight for privileges and for conditions most favorable to them for starting the economic reform. The negotiations are often difficult, because we are talking with many partners. For example, "Solidarity" has a whole 145 branch sections.

In these conflicts, the ministry is sometimes presented as a party. This is not normal, because we should represent general social interests, serve mainly as mediator, as a ministry which gives an interpretation of regulations binding on both parties. All over the world, in such conflicts there are two sides participating: the trade unions and the employers. In our country, the employer (branch or ministry) often lines itself up on the same side as the trade unions.

Also, operating on the basis of preventive measures, we have created six mixed teams for negotiations with representatives of all the union centers, the scientific community, and the administration participating. These are groups for a reform of the labor law, a group on employment, a mixed commission on wages, a group to draft a social minimum, and a commission on social security. We have also created a social consul-

tation group which, among other things, has taken up the task of setting tasks for the ministry within the framework of the economic reform.

[Question] Mr Minister, do you not think that the current pressures on wages are mainly the result of the sudden rise in living costs? Those groups which have the greatest striking power win, and as a result there are greater imbalances in wages. Is that not true?

[Answer] It is difficult to say that up until now we have had a cohesive wages policy. Most of the efforts have been intermediary actions. We must just work out such a policy. For example, the mixed wages commission is to take up the question of putting the wage systems in order and to prepare an overall wage system reform. In all the negotiations up until now there has been the prevalent view that we must restore the incentive function of wages, try to remunerate fairly, and avoid any egalitarism in wages.

Let us assume that the wage spread should not be greater than 1:7 (this is the relationship between the lowest and highest pay) or that it should not exceed 3.5 of the level of mean earnings (as follows from both the resolutions of the Ninth PZPR Congress and the First National Congress of "Solidarity"). Wage spirals may be cut by correct tax policy or by payment of a portion of the highest salaries in bonds (although I would exclude from this miners and all of extractive industry, owing to their importance to the national economy).

[Question] More and more often we hear expressed fears that under credit conditions and a later economic reform, it will be absolutely impossible to protect the lowest groups.

[Answer] I think that under crisis conditions there must be a sphere of social protection and a sphere of sacrifices. Where it is a question of meeting the most basic needs, like food, personal hygiene, and heating, there must be social protection. This is a question of biological endurance for the groups least well off, or about 4.5 million people on pensions and annuities, families with many children, and mothers raising children alone.

We have two instruments for the protection of these groups: family allowances and valorization of pensions and annuities. As of 1 November the lowest pensions and annuities were increased for about 2.5 million persons, and for the first time here the categories of the social minimum were put into practice. The system of valorization of pensions and annuities should be implemented along with the new retirement law during the first half of next year. We are also beginning a second phase of increases in family allowances. They will have a far greater role in the budgets of families, particularly those with many children and those with per capita income of 3,500 zlotys or under. Those who

have more will have to bear the costs of the crisis, in proportion to their income, of course.

[Question] Your ministry was charged with establishing the level of the social minimum during the third quarter of each year. What is its practical significance?

[Answer] The social minimum for the third quarter was drafted by the Institute of Labor and Social Affairs for 11 sociovocational groups. Nonetheless, given the sudden increase in prices, the social minimum drafted in September surely is no longer current. We undertook efforts to adapt the minimum to the conditions where the market is out of balance. Rationed commodities represent only about 15 percent of the market basket of goods and services included in the social minimum. Many items are not available on the market and must be purchased out of necessity at very much higher prices (eggs, for example). Thus, when we do our calculations, we have three prices for sugar: 10.50 in the rationing system, 48 zlotys as the social cost of producing it, and 80-100 zlotys as the black market price, that found on the free market. In the calculations we must also take into account the social cost of production.

Therefore, in this situation I would attach less weight to the calculations of the social minimum in zlotys and greater to the social minimum in terms of material benefits. In this conceptualization the social minimum should help plan production, so that each citizen would obtain the essential amount of basic goods, including agents of personal hygiene.

[Question] Unemployment can also threaten the existence of families.

[Answer] I consider it one of the main tasks of the ministry not to permit mass unemployment. This year the situation on the labor market is still relatively favorable. Factors here have been the introduction of paid upbringing vacations, earlier retirements, and the shortened workweek. We have 163,000 jobs open for 33,000 persons seeking work.

Of course, the available jobs are not always in those vocations and localities where people looking for jobs are registered. Hence, we are upgrading the system of job referral. We intend to create a national information bank. About a quarter of a million people can be absorbed by services and the municipal economy and repairs. Tremendous assets are being damaged. On the other hand, shifts of administration employees are occurring on a scale less great than we had anticipated. I would therefore estimate the administrative overage in the central administration, in the industrial associations and other intermediate groups to be eliminated to approximate 30,000 persons. The figure for industrial administration is far greater, about 100,000 persons. Up until now, however, only 2,000 employees have returned to agriculture. Some 3,000 have taken jobs in service industry. Here we are running

into exceptionally great resistance stemming from considerations of prestige, relationships, and ties. Only economic incentives can change this situation. Administrative efforts alone will not do anything here.

There are 14,000 graduates who have not found work yet, but by the end of the year all will be offered work, although not always in the line in which they have been trained. During the next few years we must change the doctrine of training and reorient youth's way of thinking in the direction of taking greater responsibility for choosing their own vocation and making their own luck. The law on planned employment of graduates has been nullified by life itself. The planned employment of graduates can be maintained only in areas like education and public health. Nor would I see any great misfortune in having young people take paying jobs abroad, especially where this produces economic benefits. They would also learn the habits of good work and bring back a little modern equipment too, in the process.

[Question] We know that the principles of regulating foreign wage-earning trips have recently been established.

[Answer] We have adopted the following principles: protection of the countries skilled potential, maintenance of ties with Poland on the part of those travelling abroad, maintenance of human and national dignity, and support of the promotion of Polish culture and foreign trade. We have agreements with the GDR and Czechoslovakia. The agreement with the FRG will probably be extended, although it is to expire this December. Some 90,000 persons are presently employed in organized forms abroad. Priority is given to trips to socialist countries. There are still substantial unutilized possibilities for sending our specialists to the developing countries. We are collecting data to learn how many Poles have taken jobs on their own in what countries. We want to cover everyone with insurance and make return to Poland possible.

[Question] Mr Minister, you conduct the work of the commission on labor law reform...

[Answer] Under the conditions of union pluralism, a number of new problems have arisen, such as who is to represent employees where there are several trade unions in operation and so on. The problem of a guaranteed wage is becoming timely. We may also get to the issue of the bankruptcy of an enterprise and the collective dissolution of the labor relationship. Our group would be ready to finish work on the amendment already, if it were not for the absence of a law on trade unions. On the other hand, the new labor code will be ready in 1983.

We also need to have a law worked out for the remuneration of employees and for plant social benefits, and the issue of deductions for the national cultural fund needs to be put in order. I am an avid advocate

of it. Cultural facilities (dayrooms, libraries) previously maintained in part through trade unions or social funds, for which about 2 billion zlotys has been allocated, are now dying. It is a paradox. After all, we have Saturdays off, but there is less possibility of cultural participation.

[Question] Mr Minister, as a specialist in the realm of social policy and now as a practitioner, how do you view the role of scientific advising and consultation?

[Answer] I think that without scientific counselling and expertise one cannot talk about making the best decisions. Now, as a minister, however, I use practical solutions as the main basis, not the multiplication of ideas. I am considered to be a stubborn pragmatist. In reality I would like to bring practical content to verified categories and concepts of social policy, to bring back healthy reason in the realm of wages and employment. Work must be work, and not a relationship which entitles a person to benefits, and a pension must be a pension, and not an allowance out of social welfare. Wages must be related to productivity and effort. We must resolve these issues which concern basic needs. We must consistently break down the condition of inertia which is so paralyzing to the society and the economy.

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METHODS FOR ELIMINATING DEBTS DISCUSSED

Warsaw TRYBUNA LUDU in Polish 26 Nov 81 p2

[Article by Ryszard Bilski: "How Are We Going to Get Out of Debt?" from our own sources]

[Text] The Sejm Commission on the Economic Plan, Budget, and Finances on the 25th of this month acquainted itself with the country's balance-of-payments situation. Here is a short description (along with the projected structure for the immediate future) as presented by Minister of Finance Marian Krzak.

In convertible currency our indebtedness currently amounts to 25.7 billion dollars (24.5 billion dollars of intermediate- and long-term credit and 1.2 billion dollars of short-term credit).

As the result of multilateral talks with governments of creditor countries and with private banks, there was the possibility of shifting to 1986-1989 the repayment of the credit installments and interest due this year. Because of this Poland's balance-of-payments indebtedness this year will be about 5 billion dollars less.

The decline in production is creating adverse export effects. There is the danger that we shall not be able to fulfill this year's export plan (which is smaller than last year's fulfillment).

The imports structure is unfavorable. In 1980 we spent about 30 percent of our foreign exchange currency for food, but this year food accounted for over 50 percent.

The real possibility of Poland's entry into the International Monetary Fund and the International Bank for Reconstruction and Development is an opportunity for the further refinancing of our debts and for obtaining credit, including investment credit.

Not to Squander Opportunities

The postponement of payments and the reduction of our economy's burden of installments and interest create opportunities for Poland to extricate itself from the greatest difficulties and to slow the sudden downward spiral.

But these are only opportunities, the exploitation of which depends not on foreign bankers but on us ourselves. This is why many deputies' questions concerned the very question of the rational utilization of the loans we are currently receiving.

Deputy Waldemar Michna, for example, called for drawing the marks showing the rise in loans during the past period farther apart, and the reasons for such catastrophic indebtedness were stated. It is a question of coming to know these mechanisms and not permitting similar mistakes to happen.

These problems continued in the talks in the corridors. To put them in a few words they can be summarized as follows: during the past decade we fell into a credit trap and now we must avoid falling into the trap of refinancing. Do we know what to do now to avoid having the till empty when the moment comes to repay the deferred debts?

Sell More

The answer came: We must increase exports. But exports will increase only if they are profitable to the independent self-governing and self-financing enterprises, only if they bring benefits to the workers. The economic reform is supposed to create such conditions.

It should also permit the reconstruction of industry, so that industry will import less and sell more. It is a question of eliminating senseless, expensive imports of many partly-finished products, materials, and subassemblies, which we can produce on our own. Deputy Longin Cegielski was one of those who pointed this out.

We must see not only the great powers, the well-known and recognized exporters, but also the minor producers who can also make the country a lot of money. Meanwhile, the small exporters, as Deputy Janina Banasik said, are running into tremendous barriers. For example, profitable exports to the American beet-products market cannot be carried out for lack of packaging.

Let us add that yesterday's meeting set some sort of precedent, because, as Minister M. Krzak emphasized, "For the first time in our practical operations up until now I have the opportunity to discuss balance-of-payments matters at the meeting of a Sejm commission."

During the second part of the meeting, Minister Wladyslaw Baka familiarized the deputies with the targets and course of reorganization of supreme and central bodies of the state administration, in connection with the economic reform being conducted. One of the effects of the reorganization is to be a reduction in employment. Has this effect been achieved? Well, as everyone knows, among other things, nine ministries have been reduced to four. The target was for the employment in these four new ministries to total 2,169 persons at the end of 1981 (in the nine, it totalled 3,739 persons).

This intended level of staffing has not yet been achieved in all the new (combined) ministries, but the tendency toward reduced employment is clear. In the mining ministry, where 500 persons were to work (in place of the former 795), only 480 persons are employed.

The next stage is to dissolve the industrial associations. This stage will begin as of 1 January 1982, and will last about half a year.

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ECONOMIC REFORM IN TRANSPORT INDUSTRY DISCUSSED

Warsaw TRYBUNA LUDU in Polish 17 Nov 81 pp 1, 3

[Interview with the new Minister of Transportation, Janusz Kaminski, by Marek Godlewski, Polish Press Agency: "Preparations for the Application of Economic Reforms; To Ensure the Efficient Operation of Transport"; date and place not specified]

[Text] [Question] Mr. Kaminski: For many years the heads of this Ministry were also the main bosses of the PKP [Polish State Railways]. This aroused dissatisfaction among the airline pilots, and others, who felt that the Minister, occupied with the railroads, has little interest in their problems. Will they continue to have reason to believe so?

[Answer] We are now working on the form of economic reform in transport. We must determine which functions and tasks the Ministry should fulfill and what its rights and duties towards its subordinate units should be. We must also define the structure, authority and obligations of the enterprises operating within the jurisdiction of the Ministry, i.e., railroads, aviation, the PKS [State Motor Transport], highways and inland water transport. But these problems will not be easy to solve.

[Question] Why?

[Answer] Because of the specific nature of the Ministry. To accomplish the transport tasks, the principle of central control of the work of the individual enterprises and their sectors must be retained to a certain degree. But this is somewhat in conflict with the fundamental principle of economic reform, i.e., the three "S"'s: independence, self-sufficiency and self-financing [all begin with "S" in Polish].

[Question] Can we assume from this that in the Ministry, reform will be of a limited nature?

[Answer] It is difficult to put it that way. I want to say that I am and have been an advocate of reform, but I am also a realist. Many railroad men would like, for example, broad reforms in the railroads, decentralization of their operation. However, if the PKP is to operate properly, railroad traffic must be planned and coordinated on the national scale. Many PKS sector are awaiting full independence and, of course, even in this case there must be a carrier and its operations must be coordinated at the central level, for example, in preparing the network timetables,

in the area of cooperation with other types of transport, and also in the servicing of export cargo, seasonal transports, cooperation during natural distasters, etc. Therefore, we must reconcile out justified tendencies toward broad application of the principle of reform with the efficient implementation of transport, which has the higher priority. Changes in transport must take into account both, partly conflicting, principles.

[Question] What decisions concerning transports should, in your opinion, be made at the central level?

[Answer] Insofar as PKP is concerned, the timetables must be compiled centrally. At this level, too, it is necessary to plan the organization of the repair of the rolling stock, the distribution of the means of transport, and the major overhaul of the main railroad lines. Decisions on investments must be made and, of course, the operation of the network must be coordinated at this level. I do not mention here the entire block of employment-wage matters and problems relating to train traffic safety. The role of the central headquarters in relation to PKS would be much smaller; the association of PKS enterprises would occupy itself with the preparation of network timetables, the distribution of rolling stock and scarce materials, the organization of technical facilities to make the more important repairs, training, and finally the coordination of operations on the network scale.

[Question] From what you say it appears that preparations for application of reforms in the Ministry are, at the moment, not too far along.

[Answer] I do not concur with such an opinion since we have done a great deal of conceptual and legislative work and are continuing this activity very intensively. It is a fact, however, that the specific nature of the Ministry requires preparation of separate structure and organizational systems which would ensure the efficient work of transport while at the same time the basic principle of economic reform are being applied. I believe that in the Transportation Ministry the reform should be introduced in stages in the individual branches, no earlier than in a few months.

[Question] Why so late?

[Answer] To avoid serious troubles. Reform is supposed to go into effect in January, i.e., in the middle of winter, which is our most difficult period, when freezing weather, snow, ice and lack of materials, compound our already sufficient problems. Application of reforms at such a difficult time in all branches may complicate the implementation of transport tasks, and this will be felt by all of society and the entire economy.

[Question] How are you preparing yourself for transports during winter?

[Answer] I have already mentioned our supply problems. We lack spare parts, various materials, for example, to de-ice the roadways, and also storage batteries and tires. These shortages may make our work this winter so difficult that we will not be able to accomplish all our tasks. So we have established priorities. Most important, as always, is the transport of passengers.

In second place we put the transport of goods which are of the highest importance to our economy: liquid and solid fuels, food articles, cargoes connected with agriculture and imported and export commodities. The remaining tasks will be performed in successive order. Our transport capacity during the winter will to a large degree depend on the help given us by the individual sectors of the economy and by the individual enterprises. We are concerned mainly with timely and complete deliveries of materials and parts. Should there be deep snow, we will require the assistance of work forces outside our Ministry to remove it.

[Question] Can you now tell us something about plans for the immediate future?

[Answer] One of the most important problems in all of transport is the poor condition of the rolling stock, due to delays in developing technical-repair facilities. I believe that despite the country's present economic difficulties these facilities should be expanded within the next 3 years and equipped to a degree that will ensure that the railroad and vehicle rolling stock is serviced properly. In order to relieve these facilities, the old, depreciated rolling stock, repairs on which are labor-intensive and require large amounts of spare parts, should be done away with. During periods of lower demand for transport, we should also limit the purchase of new means of freight transport.

[Question] What will be done about fuel?

[Answer] Everywhere on the railroad where it is possible, we will send our trains on routes that are electrified. That is why we must electrify the railroads more rapidly. The present length of PKP electrified lines (about 7,000 kilometers) is absolutely unsatisfactory to us.

[Question] Do you prefer electrification because you are a specialist in electric traction?

[Answer] No. Simply because electrification is very advantageous. An electric locomotive uses 10 times less contracted energy than a steam locomotive. One hundred kilometers of average loaded electrified line saves 100,000 tons of coal or 12,000 tons of diesel fuel in a year. In addition, an electric locomotive travels twice as far and hauls twice the load in a 24-hour period as a steam locomotive.

[Question] What are the plans concerning other fields of transport?

[Answer] Certainly we will give their development the same attention we give the railroads. But I do not want to go into detail now, since the direction of the activity of the individual transport enterprises (the same as PKP) will in large measure depend on the means we have available to us and on the work of the work forces under the new economic reform conditions.

[Question] Will it be easier for the passengers to travel?

[Answer] I have already said that passenger transport has priority. Improvement in this field will depend primarily on delivery of rolling stock. Unfortunately, we are receiving much too little of it. Nevertheless, we would like to assure the passengers that traveling conditions will improve, insofar as possible. But I cannot promise too much.

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RAILROAD INDUSTRY RESULTS FOR 1980, DRAFT PLAN FOR 1981-85

Railroad Industry Plan Completion for 1980

Warsaw TRAKCJA I WAGONY in Polish No 5-6, May-Jun 81 pp 129-132

[Article by Jerzy Przewlocki MS Eng, department chief in Locomotive Section of the Ministry of Communications: "Assigned Task Execution by Locomotive Service in 1980"]

[Text] During 1980, Polish State Railroads [PKP] transported 1,093.5 million passengers (98.5 percent of the plan) and 473.1 million tons of freight (95.4 percent of that planned) which, compared to 1979, constitutes an increase in passenger transport of 0.1 percent and of freight transport by 0.6 percent. In making these comparisons one has to bear in mind that during 1979, the deciding influence was exerted by the extraordinarily difficult weather conditions which prevailed during the first quarter of that year.

Utilization and Work of Locomotive Vehicles

In 1980 locomotives performed work amounting to 639.92 million vehicle/kilometers, i.e. greater by 2.3 percent than in 1979; 97.6 percent of plan were accomplished.

Table 1

1--Locomotive vehicles work in vehicle/kilometers
2--Type of locomotive vehicle
3--Plan fulfillment in 1979
4--Year 1980
5--Plan
6--Plan Fulfillment
7--Million vehicle/kilometers
8--Steam (engines)
9--Percentage share
10--Million vehicle/kilometers
11--Electric (engines)
12--Percentage share
13--Million vehicle/kilometers
14--Diesel (engines)
15--Percentage share
16--Million vehicle/kilometers
17--Total

Praca pojazdów trakcyjnych w pojazdokilometrach (1) Tablica 1

[illegible] (2)		1979 r. wykonanie (3)	1980 r. (4) plan (5)	1980 r. (4) wykonanie (6)
(8)	(7) [illegible]	97.63	93.35	89.94
	(9) [illegible]	13.6	14.3	14.0
(11)	(10) [illegible]	295.51	320.00	317.89
	(12) udział	47.3	48.9	49.[illegible]
(14)	(13) [illegible]	232.23	241.34	[illegible]
	(15) udział	37.1	[illegible]	[illegible]
(17)	(16) mln pojazd.	625.39	[illegible]	[illegible]

The share of electric and diesel locomotives in vehicle/kilometers, in total haulage service was 86 percent and steam locomotives, 14 percent.

The work of locomotives expressed in gross-ton-kilometers [btkm], as compared to 1979, rose by 0.7 percent amounting to 334.1 billion btkm. The 1980 plar was 95.5 realized. The share of electric and diesel engines was 92.8 percent, and steam engines, 7.2 percent.

It is worthwhile to draw attention to a considerable growth of work of electric engines, both in vehicle/kilometers and btkm (respectively 7.5 and 5.2 percent) with a simultaneous reduction in work of diesel fueled locomotives compared to 1979. This was a direct result of activity aimed to limit the consumption of liquid fuels (which includes withdrawal into reserve of certain number of line diesels and elimination of diesel engines on electrified lines).

Specific data is presented in Tables 1 and 2 pertaining to work output of locomotives, in vehicle/kilometers and btkm, plus the percentage share of the particular types of engines in the work achieved in 1980, as compared with the plan and with 1979 results.

In the area of actual use of locomotives (Table 3) in 1980, compared to 1979, an improvement in daily utilization ratio was achieved in almost all modes, both in passenger and freight service (except for self-propelled electric trains and diesel engines in freight service).

Table 2

1--Locomotive vehicles work in gross-ton-kilometers
2--Type of locomotive vehicle
3--Plan fulfillment in 1979
4--1980
5--Plan
6--Plan fulfillment
7--Percentage share
8--Billions of gross ton-kilometers
9--Steam (engines)
10--Electric (engines)
11--Diesel (engines)
12--Total

Praca pojazdów trakcyjnych w bruttotonokilometrach (1) Tab[illegible]

Rodzaj pojazdów trakcyjnych (2)		(3) 1979 r. wykonanie	(4) 1980 r. (5) plan	(6) w[illegible]
(9) [illegible]	% udział (7)	9.0	7,6	7.[illegible]
	mld btkm (8)	2[illegible].98	26.55	24[illegible]
(10) [illegible]	mld btkm (8)	194.04	206,71	204.2[illegible]
	% udział (7)	58.5	59.1	6[illegible]
(11) Spalinowe	mld btkm (8)	107.81	116.56	10[illegible]
	% udział (7)	32,5	33.3	[illegible]
Ogółem (12)	mld btkm (8)	331.83	349.82	33[illegible]

Table 3

1--Daily travel of locomotive vehicles
2--Nomenclature
3--Daily travel of locomotives in kilometers
4--Plan fulfillment in 1979
5--1980
6--Plan
7--Plan fulfillment
8--In passenger service
9--Steam engines
10--Electric locomotives
11--Diesel locomotives
12--Self-propelled electric trains 3000 V
13--Self-propelled diesel cars

Przebieg dobowy pojazdów trakcyjnych (1) Tabl.

(2) Wyszczególnienie	(3) Przebieg dobowy pojazdu trakcyjnego w [km]		
	(4) 1979 r. wykonanie	(5) 1980 r.	
		plan (6)	wykonanie (7)
W ruchu pasażerskim: (8)			
— parowozu (9)	277.9	270.0	283.6
— lokomotywy elektrycznej (10)	547.2	577.0	554.2
— lokomotywy spalinowej (11)	381.9	380.0	384.3
— elektrycznego zespołu trakcyjnego 3000 V (12)	419.4	435.0	414.7
— wagonu spalinowego (13)	355.9	355.0	360.4
W ruchu towarowym: (14)			
— parowozu (9)	160.9	160.0	167.9
— lokomotywy elektrycznej (10)	316.6	340.0	320.6
— lokomotywy spalinowej (11)	256.6	262.0	253.2

However, the daily utilization (except for steam locomotives in passenger service and self propelled diesel trains) was still below the stipulations of the 1980 plan.

The continuing, basic reasons for this state of affairs were: line closings, extended locomotive turnaround times, speed limits and the taking over of work on short hauls by electric and diesel locomotives.

The times during which locomotives, employed in freight service, were at the disposal of the transport branch exceeded the time allowed by the transportation plan and was essentially maintained at the 1979 levels (Table 4).

In connection with the recently noted distinct decrease in PKP transport effort, creating conditions favoring a more regular scheduling of freight trains and a better exploitation of the existing locomotive potential, the operational department should take appropriate steps in that direction.

Locomotive Modernization

In 1980, 307 new locomotives were brought into use including 146 electric, 186 diesels, and 75 self-propelled electric units. In the electric locomotive deliveries 43 percent comprised engines of ET41 and ET42 series which boast a 2x2,000 kW power rating.

Table 4

1--Time (in hours) during which locomotive vehicles were placed at the disposal of movements branch (freight service)
2--Type of locomotion
3--Plan fulfillment in 1979
4--1980
5--Time table
6--Plan fulfillment
7--Steam (engines)
8--Electric (engines)
9--Diesel (engines)

Czas pozostawania (w godzinach) pojazdów trakcyjnych w dyspozycji służ. ruchu (ruch towarowy) (1) — Tablica 4

(2) Rodzaj trakcji	(3) 1979 r.	(4) 1980 r.	
	wykonanie	turnus (5)	wykonanie (6)
Parowa (7)	16.2	14,9	16.3
Elektryczna (8)	19.3	15,9	19.0
Spalinowa (9)	19.4	16,3	19.2

Also, during the same period, the following were removed from the inventory: 53 steam locomotives, 24 electric and 8 diesel locomotives, 42 self-propelled electric and 3 self-propelled diesel units.

Status of the locomotive inventory at the end of 1980, as compared to the preceeding years is presented in Table 5.

In 1980, 181 km of the line was electrified and turned over for use including:

Goleniow	-- Swinoujscie	78 km
Dziewoklicz	-- Szczecin Port SPB	4 km
Kutno	-- Florek	6 km
Biala Poldlaska	-- Terespol	37 km
Lublin Tatary	-- Adampol	8 km

Connections in the Silesian region:

Biskupice	-- Bytom	)	
Biskupice	-- Gliwice	)	
Maciejow Pln. (North)	-- Makoszowy	)	48 km
Tarnowskie Gory	-- Tworog Brynek	)	
Brynek -- Borowiany	-- Krupski Mlyn	)	

Total length of electrified railroad lines, as of 31 December 1980, was 6,868 km comprising 28.1 percent of total PKP net.

Table 5

1--Structure of locomotive inventory
2--Type of locomotive power
3--Percentage share in particular years (below)
4--Steam locomotion
5--Electric locomotion
6--Diesel locomotion

Struktura parku pojazdów trakcyjnych (1) Tablica 5

Rodzaj trakcji (2)	(3) Udział procentowy w latach			
	1970 r.	1975 r.	1979 r.	1980 r.
Parowa (4)	61.9	[illegible]	26.2	25.0
Elektryczna (5)	[illegible]	24.2	29.5	29.9
Spalinowa (6)	[illegible]	[illegible]	44.3	45.1

Table 6

1--Percentage of "sick" locomotive vehicles
2--Type of locomotive vehicle
3--Fulfillment in 1979
4--1980
5--Plan
6--Plan fulfillment
7--Steam engines
8--Electric locomotives
9--Diesel locomotives
10--Self-propelled electric trains
11--Self-propelled diesel cars

(1) Procent „chorych" pojazdów trakcyjnych Tablica 6

(2) Rodzaj pojazdu	1979 r. (3)	(4) 1980 r.	
	wykonanie	plan (5)	wykonanie (6)
Parowozy (7)	16.2	16.5	17.7
Lokomotywy elektryczne (8)	13.3	11.3	10.9
Lokomotywy spalinowe (9)	13.9	16.5	17.4
Elektryczne zespoły trakcyjne (10)	13.8	10.5	9.4
Wagony spalinowe (11)	28.4	26.5	29.4

Technical Status of Locomotives

The percentage of out-of-service ("sick") locomotives, in relation to the total available numbers, (as compared to the 1979 plan execution and to the 1980 plan) is presented in Table 6.

The decidedly improved posture of this indicator, in comparison equally to the 1979 results and to the 1980 plan, occured in the electric locomotive field (electric engines and electric self-propelled units); on the other hand there was a marked worsening in the steam and diesel locomotive field.

The situation concerning passenger diesel locomotives series SU46 and SU45 continues to be particularly difficult. Considerable numbers of these vehicles remain out of service due to repair and materiel difficulties.

In 1980, as compared to 1979, the need for replacement of locomotives en route rose by 21.5 percent, from 455 to 553. This deterioration occurred in all types of locomotives, the largest proportion in deisel locomotion--by 44.9 percent, in steam locomotion, by 6.3 percent, and in electric locomotion, by 5.5 percent. Reduction of replacements occurred in the Silesian Railroad Directorate Region [DOKP] (by 9.8 percent), Lower Silesian DOKP (7.4 percent) and Central DOKP (6.7 percent). Largest increases were in Western DOKP (135.3 percent) and the Southern and Pomeranian DOKP's (at 100 percent each).

Fuel and Energy Consumption of Locomotives

The planned consumption of electrical energy, solid and liquid fuels was exceeded in 1980.

Coal consumption in steam locomotion for passenger service reached 85.26 kg per 1,000 btkm (the planned amount was 84.66 kg), in freight service--46.62 kg per 1,000 btkm (plan 46.1 kg) and in non-train use--20.01 kg (plan 19.84 kg). On the entire PKP net an extra 24,354 tons of coal (actual weight) were used over the quota.

The main reason for this state of affairs was irregular deliveries of railroad grade coals, which coupled with minimal reserves (and sometimes without any reserves) made it impossible to prepare properly constituted mixtures of coal.

In diesel powered passenger service, consumption of fuel oil amounted to 9.89 kg per 1,000 btkm (the plan 9.66), in freight service--4.67 kg (plan 4.63) and in non-train use--2.37 kg (plan 2.36). This resulted in an over-quota use of 6,154 tons of liquid fuel. The principal reasons were: a 2.52 percent reduction of hauled weight in passenger service and 2.79 percent in freight service, also an increase in the percentage ratio of runs without trains to the total runs in feight traffic--by 5.59 percent.

Electric energy in electric locomotion of consumption was exceeded by using 20.06 kilowatthours [kWh] per 1,000 btkm instead of the planned 20.00 kWh/1,000 btkm.

Safety in Train Traffic

In 1980, as compared to 1979, the total number of accidents caused by railroad service personnel was reduced by 5.6 percent. Improvement was achieved in the accident category caused by running through a "stop" signal--by 11.5 percent, also in accident category attributed to defective technical status of locomotives--by 23.1 percent; however, a deterioration was noted in the category of exceeding the permissible speed limit--by 100 percent, and in accident category of failure to observe proper precautions on lines equipped with self-actuating barriers--16.7 percent.

The amount of track damage, as calculated per 100 track/kilometers of the line, was reduced from 9.19 in 1979, to 8.92 in 1980, i.e. by 3 percent (Table 7). An improvement was achieved in the damage category related to the Rail Network (by 11.8 percent) and in the group independent of electrical traction (by 12.7 percent); however, a deterioration was noted in the category of accidents pertaining to electric locomotives (by 35.7 percent). The deterioration was observed in the Silesian, Northern and Southern DOKP's, improvement in the remaining DOKP's.

Employment in the Group of Locomotive Crews

In 1980 employment of locomotive crews increased by 0.2 percent. Growth of employment in this category occurred in three KOKP's: Eastern (4.5 percent), Silesian (2.3 percent) and Pomeranian (0.5 percent). Reductions were noted in: Lower Silesian (2.4 percent), Western (1.2 percent), Central (0.9 percent) and Northern (0.5 percent). Employment of crews in Southern DOKP did not register any change.

Table 7

1--Percentage indicator of electric net damage
2--Indicator of damages
3--1979
4--1980
5--Based on the electric net
6--Based on electric locomotives
7--Independent of electrical traction
8--Total

Wskaźnik procentowy uszkodzeń sieci trakcyjnej (1) Tablica 7

(2) Wskaźnik uszkodzeń	(3) 1979 r.	(4) 1980 r.
Zależnych od sieci trakcyjnej (5)	2,72	2,40
Zależnych od elektrycznych pojazdów trakcyjnych (6)	1,79	2,43
Niezależnych od trakcji elektrycznej (7)	4,68	4,09
Ogółem (8)	9,19	8,92

On the entire PKP net the shortages of locomotive crews, as compared to the needs, amounted to about 9 percent, according to the status on 31 December 1980. Largest shortage occurred in Lower Silesian, Western and Central directorates, i.e. in those directorates where a reduction in employment of locomotive crews was noted and this is very disturbing.

Despite a certain improvement, as compared to 1979, in the locomotive crews category, there was an excessive number of overtime hours. Monthly average of overtime hours, per one employee, during the 11 months of 1980 observed, amounted to 39.6 hours, during a corresponding period of 1979--41.6 hours.

Deliberations of Parliament Commission

Warsaw TRAKCJA I WAGONY in Polish No 5-6, May-Jun 81 pp 172-175

[Text] One of the conditions for restoration of economic balance in our country is to insure smooth efficiency of our entire transportation system. The basic element of transportation's technical base--which decides on the level of transportation capability and the efficiency of national transportation system--is the size and the technical status of the available transportation means.

The status and the perspectives of assuring transport equipment for the transportation industry were a subject for the deliberations by the (Sejm) deputies during a joint session of the Commission for Heavy Industry, Machinery and Steel Manufacturing and the Commission on Transportation and Communications, which took place on 26 February of this year.

Also taking part in the deliberations were representatives of the interested ministries, i.e. Ministry of Heavy and Agricultural Industry with minister Stanislaw Wylupek, Ministry of Machine Industry with minister Henryk Gawronski and the Ministry of Communications with viceminister Janusz Kaminski.

It appears, from the information presented to the deputies by the Communications ministry, that during the coming years the actual problem will be the need to replace, more rapidly, a large number of railroad cars due to their considerable worn condition and low technical condition.

Also, the requirements connected with the need to form a rolling stock reserve are mounting, and this ties in with a deterioration of the external working conditions resulting from an increased number of leisure days and the resulting irregularity in service.

As a result of changes in economic directions the requirements for the rolling stock needed in investment service (open gondolas) will be lessened while the need for the remaining types of rolling stock (boxcars and specialized cars) will increase.

Besides a necessity to improve the wear and tear resistance and the breakdown frequency of rolling stock, a need to increase the cargo carrying capacity, and a better adaptability of freight cars to automated loading services, and an increase in locomotive power and an imporvement in the parameters of their utilization; the foremost need becomes a reduction in energy intensiveness of the inventory and an increase in the level of safety automation, while in passenger service--an increase in the level of passenger travel comfort.

Railroad Transportation in 1981-1985

The draft of the national socio-economic plan for 1981 provides for transportation of 450 million tons of freight over standard gage track.

Also forecast is the emergence of the national economy from the current recession, this should, towards the end of the 5-year plan, bring an increase in material goods production in no lesser degree than in the previous years. This in turn should find expression in an increased demand for rail transport, which according to initial estimates should amount to 500 million tons of freight in 1985.

Current tendencies permit stipulation that passenger transportation will remain basically at an unchanged level and will amount to 1,100,000,000 passengers. Maintenance of this level of passenger participation will depend, in a great measure, on the travel conditions which the railroads will be capable of insuring for these passengers.

In narrow gage transportation it is anticipated that freight transport will be at a level of 9.6 million tons during the current year, approximately 9 million tons in 1985, and the passenger transportation will be respectively 8-7 and 6 million passengers.

Actual Rolling Stock Status

The structure of the freight car inventory, based on status as of the end of 1979, was as follows:

boxcars	-- 13.3 percent
coal cars	-- 57.7 percent
flatcars	-- 11.0 percent
other cars	-- 15.0 percent

The low proportion of boxcars is the result of a decrease in deliveries from 3,000 in 1971 to about 1,000 in 1977, to their abandonment in 1978 and their deletions from the inventory--this proportion is steadily shrinking both in car numbers and their loading capability.

The orientation of national economy towards market production and the resulting necessary changes in organization of transport services, i.e. taking over by the railroads of some transportation tasks formerly performed by trucking results in a considerably greater demand for boxcar transportation services.

The situation in freight car administration is made even more difficult by a great number of defective cars whose numbers in 1980, grew to a level of 36,500 cars.

A particularly serious problem, which has not been solved for a number of years, is an inadequate reserve of freight cars. The work of railroad transport is characterized by variations in intensity, not only on a yearly basis, or even quarterly and even on a daily basis. In order to compensate for the irregularity of cargo loads which may occur on a particular day of the week it becomes necessary to have a provisional reserve, which should amount to about 3.5 percent of the working freight car pool. This is caused by a necessity to maintain a fully rhythmic flow of loading operations in Silesia and in other regions of mass loading and also to insure the continuity of loading operations in case of transportation difficulties.

Independently of the above railroad reserve there should also be a standing reserve in order to cover additional transportation requirements resulting from seasonal escalation of transports of agricultural products, domestic heating coal, temporary increases in foreign goods shipments, increases in goods transshipments from seaports and possible increase in the number of PKP cars departing abroad. Size of a standing reserve is estimated at 10,000 freight cars to include some 6,000 coal car and 2,500 boxcars.

Positive changes in the structure of the passenger car pool which, although slowly, occurred during the recent years were accompanied by a gradual improvement of the basic technical characteristics of this pool. About 98 percent are equipped with roller bearings, about 85 percent have electric heating, some 98.7 percent of the 4-axle cars have modern construction and equipment. The oldest cars with wooden body construction, which in 1970 constituted about 30 percent of the entire passenger car inventory, were withdrawn from service in 1976. Due to new car deliveries and removal of old cars the average age of passenger cars went down by a half in the recent years and is now at a level of 15 years old. Number of cars over 30 years old makes up less than 10 percent of the inventory.

At the same time--the step with electrification and conversion to diesel power which are currently in progress on the PKP net--the number of cars in electric self-propelled units is increasing. Until 1975 there also was an increase in the number of cars in diesel self-propelled units (since 1976 the deliveries of diesel self-propelled units have been halted and as from the end of 1976, the number of these cars--as a result of deletion from inventory of cars no longer in use--was further reduced by 15 percent).

One of the indicators which are characteristic of travel conditions is the number of (potential) passengers per one seat in the inventory. From 1975 statistics it appears that per one seat in railroad inventory, in passenger service, there were 1,439 persons in Poland, by 1980 there were 1,320. Although this indicates a small shift towards improvement it is still far from accepting travel conditions as being satisfactory.

The size of the PKP rolling stock inventory is still insufficient and causes serious situations, in particular during peak passenger travel demand periods. These difficulties will grow during 1981, principally because of introduction of a greater number of free Saturdays and limitations on bus travel, particularly on long distance lines. As a result the demand for rail passenger service will be increased.

Locomotive Vehicles

A characteristic mark of the change in locomotive inventory during the fifties was a gradual elimination of steam power in favor of electric and diesel powered engines. The pace and direction of these changes resulted from the electrification of the PKP net and the rate of deliveries, from domestic and foreign sources, of modern traction vehicles.

Growth of electric locomotives was particularly rapid during 1960-1970. During that period it was linked with the rate of electrification and the undertaking, by domestic industry, to produce serially electric locomotives of EU07 series and electric self-propelled type EN57 cars.

A reduction in the work rate resulting from electrification--in particular during the later half of the seventies--resulted from the reduction of speed of PKP net electrification, relative to intensification of investment and contract work in construction of the steel mill-sulphur lines.

Basic development of diesel locomotion in PKP dates back to the first half of the sixties and is connected with initiation of domestic serial production of switching engines series SM42 and import deliveries of a considerable number of diesel engines type ST43 and ST44. From that time on the progressive development of diesel locomotion maintained a regular pace.

After 1970, the deliveries of new rolling stock and the elimination of worn out inventory (mainly steam engines) were responsible for a further improvement of the locomotive inventory, which in 1979 looked as follows: steam engines--26.2 percent, electric engines, 29.5 percent, and diesel engines--44.3 percent.

During the past 5 years (1976-1980) the needs of the passenger service found full response in the means of transportation. However, in freight service--because of a lack of reserves--there were several difficult and tense moments both in full and part time freight service. In order to smooth out these difficulties the ministry of communications undertook organizational type measures. For example, a system was developed for many lines whereby electric or diesel locomotives were so assigned as to serve a train with the same locomotive for the entire length of a given trip. Additionally, locomotive crew hiring was given preference and changes were introduced in the field of the extent of train locomotion service sectors, etc.

New Rolling Stock Delivery Needs for 1981-1985

The necessity to increase the independence of transportation and an increase in the demand for transportation dictate that the deliveries of new and fully serviceable inventory be insured.

Freight Cars

Freight cars deliveries during 1981-1985 should make it possible to exchange worn out cars, qualified for a deletion from the inventory, achieve growth of transport capability proportional to growth of transport demand and a formation of a utility reserve.

Transportation by rail, during the coming years, of freight in the quantities stated and predicted at the beginning of this report, will require an increase of the freight car inventory by some 26,000 freight cars. To make up for losses resulting from wearing out and inventory deletions, which according to initial estimates (mostly of old types with low capacity) will amount to about 50,000 freight cars during that period, it will be necessary to receive deliveries of over 28,000 new freight cars. Formation of a necessary reserve needed to maintain an uninterrupted flow of work will require a delivery of 11,000 more freight cars.

Total freight car deliveries during 1981-1985 should amount to some 65,000 freight cars including 8,500 boxcars, 30,000 coal cars, 12,000 flatcars and 7,500 of dump cars.

Taking into account that in 1981, deliveries of freight cars will total 6,400 cars including: 3,500 coal cars and 300 dump cars, the average yearly (future) deliveries of these cars should be markedly increased in the coming years.

In case of a failure to accomplish the necessary freight car deliveries the transport work of the railroads will be plagued by the lack of sufficient reserves. This can have a very negative influence on the transportation task and in an extreme case may limit our country's development. The acceleration of boxcar deliveries is absolutely indispensable, even at this time.

The Ministry of Communications is making efforts to speed up freight car deliveries for grain transport, of 4-axled, wide boxcars as well as the 2-axle types and of 6-axled flatcars. Of particular significance is the matter of a rapid initiation of boxcar production as their shortage is now being felt with an ever increasing degree of acuteness.

Passenger Cars

Fulfillment of the requirement to improve travel conditions requires the realization, during 1981-1985, of passenger car deliveries earmarked not only for an inventory exchange (it is estimated that inventory deletions will include, in this period, about 1,700 cars including 1,500 passenger transit cars), but also for formation of the necessary reserve pool to smooth out the difficulties occuring during the peak passenger demand periods.

According to an actual forecast the new passenger car deliveries will total about 1,800 cars, from domestic and foreign sources, which will be slightly more than the losses, it should have a contributory effect on the improvement of the total travel conditions.

It is also being planned to increase the number of passenger cars in the electric trains and self-propelled units. Deletions from inventory, during 1981-1985, are estimated at 12 electric self-powered units, i.e. 36 passenger cars and 20 motorized car units. During the same period the deliveries are expected to supply 350 electric self-porpelled units, i.e. about 1,050 passenger cars, which should provide an increase of about 1,000 passenger car units and will positively influence an improvement in suburban and urban transportation. Talks are also being conducted relative to deliveries of rail buses and rail trailer car units from Czechoslovakia, destined for service in low passenger density sections and where other forms of rail service are not economical.

Locomotive Vehicles

Continuation of the electrification program for railroads and the expected increase in transportation requirements will necessitate an increase in the electric locomotive inventory up to 950 electric engines by 1985.

Taking into account that the currently forecast deliveries will total 140 units this year, the deliveries in the coming years will have to be correspondingly increased.

The current energy-fuel situation in the country makes it necessary to limit the development program for diesel engines on PKP net, this will be reflected in the number of diesel engine deliveries.

As it appears, from the opinions expressed by the deputies--members of the Heavy and Agricultural Machinery Commission--based on personal visits of the deputies teams to railroad rolling stock plants, the assurance of deliveries of rolling stock as to satisfy the needs of PKP will be an extremely difficult task and will require special care and organizational activities. This is so because the material supply situation of materials needed to fabricate rolling stock is extremely difficult, there are defective cooperative communications and many other obstructions whose removal is not always in the hands of crews or even the associations themselves.

The plan proposed by TASKO [ZPTK--Association of Railroad Rolling Stock Industry] for railroad rolling stock production for 1981-1985, diverges, as ascertained by the deputies, quite widely from the timeliness, type designations and quantities of the requirements of the Communications ministry. Causing a particular worry is the divergence between the requirements published by the Ministry of Communications and the actual production capabilities of the rolling stock manufacturing industry for PKP of line and switching engines and freight cars. The industry, as confirmed by the deputies, is not capable of providing the national economy the needed quantities of means required for the needs of transportation because of the status of its industrial support base. [R.G.]

9511
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CROATIAN AID TO UNDERDEVELOPED REPUBLICS, KOSOVO

Zagreb VJESNIK in Serbo-Croatian 4 Nov 81 DELEGATSKI VJESNIK Supplement pp 7-8

[Text] What interest have OUR's [organization of associated labor] in SR [Socialist Republic] Croatia shown in solving problems of the supply of energy and raw materials and in building manufacturing plants on the basis of equal division of labor and the same kind of income-sharing position for all phases in the cycles of reproduction on the principles of the verified commitments to development made by associated labor in the three economically underdeveloped republics and the Province of Kosovo? The activity to date of the Economic Chamber of Croatia and its Social Council for Coordination of Activity in Pooling Labor and Capital has resulted in the registration at the outset of this year of some 80 initiatives for self-management linkage among economic entities in those federal units. It is the assessment that more than half (some 50) of the investment proposals are realistically acceptable as a joint development effort with the underdeveloped and that associated labor in SR Croatia is prepared to finalize them in the very near future in the form of investment programs and to begin carrying them out.

These are projects which would unfailingly fill gaps in the production commitment and round out units and relationships in reproduction and which, further, would transfer to the underdeveloped regions certain production operations (because of the lack of manpower and other conditions), would result in adoption of new products attractive to the domestic, and especially the foreign market, would open up manufacturing plants at sources of certain raw minerals, and so on.

In direct contacts with OUR's in SR Croatia, through entities responsible for conducting the policy of a comprehensive organized effort in each underdeveloped region, but also in collaboration with general associations and regional economic chambers, work has been done in the competent standing committee of the PKH [Economic Chamber of Croatia] to define the proposals which have been accepted in conformity with the broader Yugoslav conception of socioeconomic development and the policy of stabilization, and "platforms" have been prepared for talks with delegations from the chambers of the various republics and the Province of Kosovo. At the same time in the competent republic administrative agencies, the executive council of the assembly and the PKH the criteria and forms of use have been adopted concerning the portion of the funds of the compulsory loan which OUA's can pool with organizations from the underdeveloped

regions to invest in joint development programs on the basis of shared income and common interests (the republic law). What yet remains is to definitively arrive at a specific agreement which will set forth the conditions and schedule for pooling the portion of the resources of the Federal Fund for Credit Financing the Faster Development of the Underdeveloped Republics and SAP [Socialist Autonomous Province] Kosovo and to adopt an agreement on special measures to implement the policy of the fastest development of SAP Kosovo in the current medium-term planning period.

On that basis and with the help of the model outline of the self-management accord on the pooling of labor and capital by OUR's on the basis of shared income and common interest, which has been jointly prepared by the economic chambers in the country and the fund already mentioned, the necessary conditions will be created for conclusion of specific accords among OUR's in advance of carrying out each investment program which has been verified in the competent bodies of the three republics and SAP Kosovo.

Kosovo: Half of the Compulsory Loan Has Been Committed

Some 10 projects from the platform have been finalized with the delegation of the Economic Chamber of Kosovo and have been incorporated into the sociopolitical commitments contained in the medium-term plans of SR Croatia and that province (in Kosovo this document is in the phase of "additional work"). Since this is a matter of pooling labor and capital on the basis of shared income and since it involves 50 percent of the money obligations to the Federal Fund, we can justifiably expect that fuller prospects will be opened up for closer linkage of OUR's of the two economies within the interdependent flows of social reproduction in Yugoslavia as a whole. Certainly this is the way to repair the consequences of the past exclusiveness and disproportionate structure of the Kosovo economy (the transition is now being made in that province from heavy industry and energy to construction of manufacturing plants in which the cost per job is not to be greater than between 1.5 and 2 million dinars. Thus, in addition to income, creation of new jobs is also becoming an important investment criterion).

Of the 20 or so projects offered and agreed on with partners in Kosovo in recent months, full consent has been granted so far to about 10. That constitutes commitment of half of the 8.2 billion dinars of initial funds which OUR's in SR Croatia may directly commit over the entire 5-year planning period as part of the mandatory aid in the form of credit to the development of Kosovo. To be sure, it still remains to furnish the commercial and bank credits, including the available resources which the organizations themselves--the investors, are to furnish for reproduction, as well as to conclude the specific SAS's [self-management accords]. Only then will these very attractive development programs begin to be carried out.

Here we are referring first of all to a factory for refrigeration systems and equipment for which Djuro Djakovic prepared a preliminary project study covering an investment of 450 million dinars. Its partner is the Welded Pipe Factory in Urosevac, which is also where this joint project would be located. Construction would commence in April 1982 if all the financing for this investment project is provided for in the meantime.

The programs of the Zagreb TPK [Steam Boiler Factory] and Jugoturbina of Karlovac, on the one hand, with Metal of Prizren on the other, have been accepted by both sides, and now quite serious work needs to begin to build the plant for repairing equipment in thermal electric power plants and for manufacturing boiler components (a figure has not been put on the project). Plants for manufacturing single-stage turbines, compressors and reducers will be built in Pristina, Kosovska Mitrovica or Obilic (the investments are estimated at 410 million) in conjunction with Elektrokosovo or some other partner. Realization of the first project is possible even before the end of the year, and commencement of work on a second during 1982.

The Zagreb organizations TOP [expansion unknown], Munja, Chromos and Gorica, along with the metallurgical combine known as the Sisak Steel Mill and Dalmastroj of Split, are interested in developing mines and promoting the processing of lead and zinc, since this would provide materials to meet their own production needs. The two chambers are currently arranging further discussions with the Trepca RMHK [Mining, Metallurgical and Chemical Combine] of Kosovska Mitrovica. The project would be carried out in three phases: geological explorations, production of litharge and production of lead stabilizers. The total value of the investment would be about 1.2 billion dinars, and the construction date is 1986. Chromos' OOUR [Basic Organization of Associated Labor] "Paints and Varnishes" and Karbon of Zagreb are prepared to help Extra of Vucitrn in carrying out an investment program for paints and varnishes. The suggestion has been made to the investor that it choose possible partners, that is, that is furnish the 150 million in funds which are lacking on a tripartite basis.

The program for production of cell-type batteries which the work organization PTT [Postal, Telegraph and Telephone] Services in Kosovo would carry out in cooperation with Nikola Tesla of Zagreb (the value of the investment project is about 1 billion dinars, and construction is possible even next year) also has received interchamber support. The same is true for the project to set up a stone quarrying and dressing operation which would be jointly built by Feronikl of Pristina and Viadukt of Zagreb (about 200 million dinars are still needed to put the quarry in operation). The two delegations also concluded that there is a need to speed up and enliven the investment project for the plant to make semifinished products from gas concrete which Porobeton of Pula and the Croatian Machinebuilding Industry are offering to the Sar Cement Plant in Djeneral Jankovic, involving joint investments of 650 million (and creating all of about 600 jobs). This would serve as a demonstration project for the export of such plants to the developing countries, and it is urged that the work begin even before the year's end.

We should also mention construction of a plant to product glass tiles for mosaics, which has been offered by Boris Kidric of Pula and accepted by the Mosaic Tile Factory in Kosovska Mitrovica (an investment of 400 million), and then the container and sheet plant of INA Oki [Organic Chemical Industry, a subsidiary of INA, which is the Zagreb Petroleum Industry] using expanded polystyrene at Kosovoplast (Dj. Jankovic), Kras' offer to build a cookie bakery at Zitopromet (Pristina), Poljoopskrba's milk processing plant at Erenik (Djakovica), a plant for recycling secondary raw materials which would be built by 3 Maj of Rijeka in

Kosovska Mitrovica, and Ghetaldus' readiness for division of labor with the eyeglass factory being built in Pristina.

The two delegations also exchanged opinions concerning 57 investment programs in various branches of the economy which SAP Kosovo is offering to all the republics and SAP Vojvodina to be carried out on the principles of the verified interests in development of associated labor, with the support of federal planning agencies.

Bosnia-Hercegovina: The First SAS Has Been Concluded

OUR's in SR Croatia, metal manufacturing firms in particular, also have "ties" to sources of raw materials and intermediate products in SR Bosnia-Hercegovina. That accounts for their interest in committing the portion of the funds of the compulsory loan which organizations may invest in joint programs to develop heavy industrial facilities on behalf of long-term supply of materials for their production, coal in particular. This does not mean, however, that they have not also given consideration to programs for development of plants in the manufacturing industry, especially in the case of a new production operation of common interest to the economies of the two republics. Croatia has taken the decided position that there must be no restriction or narrow limits placed on assignment of the portion of the funds of the compulsory loan which may be pooled. Especially since the set of programs offered to the Bosnia-Hercegovina delegation afford opportunities for quite extensive integrational undertakings and then for continuation of that process until cycles of reproduction are rounded out on the scale of Yugoslavia as a whole.

So far an agreement has been reached on an investment program whereby the Sisak Steel Mill Metallurgical Combine, together with certain other consumers, would pool 962.5 million dinars of funds of the compulsory loan to maintain the present level of production and augment exploitation of iron ore in Ljubija, so that the needs in SR Croatia would be met as well. The investment schedule would extend into 1983. Jugoturbina on the other hand has a complete investment program for a plant that would produce multistage pumps and pump components in Drvar, involving a total investment of 254.3 million dinars (147.6 million of which would come from pooling). Djuro Djakovic has made a preproject study for a factory to make farm machine attachments (corn picker) in Bosanski Brod (project cost 634.3 million, 444 million of which would be pooled). Realization of these programs could begin.

Elka has acted on its intention to furnish aluminum wire to consumers in SR Croatia in the form of a specific SAS, the first of this kind. It is a question of 280 million dinars of pooled funds which would be invested to expand the capacity of EAL [expansion unknown] in Mostar. Even before the year is out Borovo may undertake construction of a shoe upper plant on a site in Odjak, if 92 million dinars are furnished from the resources of the Federal Fund (the total investment is 230 million), and a tire vulcanizing plant is being set up in Prijedor at a cost of 285.3 million dinars (the share of the pooled funds is 142.6 million). Several other agreements have been finalized. They include the second phase in reconstruction of Sportnautika in Gradacac (70 million dinars of

pooled capital from RIS [Rubber Products Industry] of Zagreb), and then construction of a plant for production of fatty acids at Hemija in Modrica to meet the needs of Saponija (60 million). Then comes augmentation of the capacity for production of alpha and beta gypsum at a site in Donji Vakuf, in which the investor is Jugokeramika (160 million), Kras' elimination of bottlenecks in the production of cookies at Mira Cikota in Prijedor (100 million) and Agrokomerc's (Velika Kladusa) program for production and processing of turkey meat and finished food products based on that meat, in which the Karlovac Agricultural and Food Processing Combine will invest 135 million dinars.

A total of 2.6 billion dinars of the resources of the compulsory loan would be committed to these 11 projects, which is nearly half of the sum which OUR's in SR Croatia may pool with organizations of SR Bosnia-Hercegovina in joint programs during this 5-year period. Joint investments have not been defined for another 10 programs or so which Croatia has offered. OUR's in SR Croatia have shown interest in 6 of the total of 18 projects which were at the same time offered by the Economic Chamber of Bosnia-Hercegovina, and talks have already begun on possibilities of joint investments to carry them out as soon as possible

Montenegro: Continuous Discussion Toward Agreement Is Needed

In this initial year of the actions to pool a portion of the resources of the mandatory loan in joint programs with OUR's in SR Montenegro, it is obvious that the available 404 million dinars will not all be used. That is why in contacts between delegations of the economic chambers of Croatia and of that republic support has been given to the idea of SR Macedonia that an exception be made in 1981 so that the funds under programs covered by interrepublic agreement by the end of this year and for which SAS's are concluded on the pooling of capital be regarded as funds which have been committed even though actual realization of such programs begins in 1982. In this case the funds built up for pooling this year would be credited to the bank of the trading partner in the underdeveloped federal community for pooling in the next year instead of being credited to the Federal Fund.

In the exchange of opinions on each project proposed by OUR's from SR Croatia it has been evident that Croatia is most interested in development of the production of quality steels at the Niksic Steel Mill and in the production of Titograd aluminum. This is the initial interest which the Croatian economy has shown in the Montenegrin economy, but it would be augmented by a number of other additional programs involving the finishing of these materials for production. Thus both sides accepted the pooling of resources of Jugoturbina with the Boris Kidric Steel Mill (total investment 150 million up to 1985) and with the Aluminum Combine (200 million). Jugoturbina has also been accepted as the entity responsible for the program of the bimetallic strip factory in Danilovgrad, for which it is preparing to invest 400 million dinars of its own during this 5-year period.

Joint interest in the program proposed by Djuro Djakovic has been confirmed. This has to do with a plant for production of equipment and machinery used in timbering and forest management, which could be built even in 1982 at Bijelo Polje in collaboration with Radoje Dakic, which is located there (no figure has

been put on the investment). A favorable assessment has also been given to the interest expressed jointly by Djuro Djakovic and Janko Gredelj in building or organizing a plant in Bijelo Polje or even Titograd for overhauling and repairing railroad cars used on the lines of the Titograd Railroad Transportation Organization. The desire of Josip Kras to establish lasting business collaboration with the 13 July Agricultural Combine of Titograd in large-scale raising of hazelnut trees and with Crnagorakoop of Danilovgrad for joint construction of a plant for confectionery products (the pooled funds would amount to 100 million dinars) was also well received.

Podravka is preparing a number of programs which will be ready for realization in 1982, which it would carry out jointly with the Sulfate Pulp and Paper Mill in Ivangrad, the Titograd Aluminum Combine, the 13 July Agricultural Combine, etc. The purpose is to obtain materials and ready-made containers for Podravka's products, but also products which it will market (total investments about 500 million). The Kutjevo Agroindustrial Combine has also shown an interest in developing grapegrowing in order to produce grape soda in Montenegro, and then interest of the Belje Agroindustrial Combine to become involved in building mini projects for fattening young beef cattle for which it would furnish the breeding stock, Cibona's desire to participate in planting tangerine orchards and olive groves in the area around Ulcinj, and so on.

All these projects need to be examined more fully, the right partners determined, the value of the investment defined and firm financial packages put together, the site chosen, the date fixed for commencement of construction, and so on. Which means that the talks already begun need to be continued at a fast pace and conducted continuously in the future. Especially since the opportunity exists for cooperation in still fuller utilization of secondary raw materials (paper) in paper production (Belisce with an investment of 320 million), and then in tourism, shipbuilding, maritime fishing, and oil and gas exploration in the Adriatic Sea bed. To this we should add that Adriagradnja of Rijeka and the OOUR "Housing Unit Factory" in Spuz, a subsidiary of the Titograd Construction Work Organization, recently concluded an SAS on joint investments in additional production lines for components used in industrial fabrication of housing and industrial structures and structures belonging to the social standard of living, except that at present the share of the Croatian partner is short 32.4 million dinars which would have to be furnished from the portion of the resources of the mandatory loan which would be put up by organizations interested in this relationship. The amounts of investments already indicated would "take up" 1.75 billion dinars of the 1.92 billion total envisaged for OUR's from SR Croatia to set aside in this 5-year period for pooling with organizations in SR Montenegro.

Fifty Percent of the Funds for Pooling at the Republic Level, in millions of dinars

Republics and Provinces	1981	1982	1983	1984	1985	Total 1981-1985
SR Croatia	4,085.0	3,531.7	3,736.5	3,928.6	4,159.1	19,440.9
Breakdown:						
For SR Bosnia-Hercegovina	1,139.7	985.3	1,042.5	1,096.1	1,160.4	5,424.0

Table (continued)

Republics and Provinces	1981	1982	1983	1984	1985	Total 1981-1985
For SR Montenegro	404.4	349.6	369.9	388.9	411.7	1,924.5
For SR Macedonia	800.7	692.2	732.4	770.0	815.2	3,810.5
For SAP Kosovo	1,740.2	1,504.6	1,591.7	1,673.6	1,771.8	8,281.9

[Note] The level of SR Croatia's annual advance to the Federal Fund for 1981 on the basis of the compulsory loan and the pooling of labor and capital was established by applying the rate of 1.83 percent to the planned social product of the socialized sector of the economy in current prices, following the principle of pure activities. This amounts to a total of 8.17 billion (half of which is 4.85 billion). The level of SR Croatia's annual advance to the Federal Fund for 1982, 1983, 1984 and 1985 on the basis of the compulsory loan and the pooling of labor and capital was established by applying the rate of 1.83 percent to the planned social product of the socialized sector of the economy in permanent prices. By years this is as follows:

1982	7,063.4 million dinars
1983	7,473.0 million dinars
1984	7,857.2 million dinars
1985	8,318.2 million dinars

Added to the amount for 1981, this gives a total of 38,881.8 million dinars, and the 50 percent for pooling would amount to 19,440.9 million. SAP Kosovo is entitled to the largest part of the resources of the fund because of the total 1.83 percent of the country's planned social product, 0.33 percent has been set aside for this province in advance as special funds. Of the remaining 1.50 percent SR Bosnia-Hercegovina is entitled to 34 percent, SR Montenegro 12 percent, SR Macedonia 24 percent and SAP Kosovo 30 percent.

Macedonia: Investments Including Those To Develop Raw Material Resources

Again in the case of SR Macedonia OUR's from SR Croatia have from the very outset taken care to find broader programs attractive from the standpoint of income, especially those which would develop manufacturing capacities and which would organize new production operations, including those suitable for export. A readiness has also been expressed in investments to develop raw material resources, which is an overall interest of the Croatian economy. Thus the list of programs offered encompasses fields from ferrous and nonferrous metallurgy and metal manufacturing, including the chemical industry, to agriculture, the food manufacturing industry and tourism.

The two delegations have already reached agreement in principle on some 10 programs (amounting to 3 billion of investments up to 1985). The most interesting to the two republics are the programs of Rade Koncar. Of the seven of them

which have been offered one after the other, five have already been accepted. They include an investment in two OOUR's of Koncar's Appliance Equipment Work Organization in Skopje: in the production of switches and relays and in the production of special devices, automatic devices and welding equipment. An investment would be made in the OOUR "Refrigerators" at Bitola to increase the production of refrigerators and freezers, and then in the OOUR "Commercial Refrigeration Equipment" and the OOUR "Industrial Refrigeration Equipment"--once again to expand capacity. In addition, a OOUR "Components for Household Appliances" would be organized; nearly 1.4 billion dinars from the portion of the resources of the compulsory loan would have to be set aside for all these investment projects.

With respect to investment in the Skopje Steel Mill and delivery of an appropriate assortment of products, it has been agreed that the delivery would be 500,000 tons during this 5-year period, and the steel mill's capabilities of meeting possibly larger needs of consumers in Croatia would be reassessed in the context of total Yugoslav demands for those products.

Jugoturbina's interest in investing funds in the 18 November MEGO [(?) construction organization specializing in electrical installation and engineering] in Gostivar to build a plant for making steel strip, what are called X beams for roof fabrications, has been judged to be low with respect to the financial participation (40 million). Acceptance has for now been given to an undefined joint investment by TOP, Munja and Chromos to expand the mining and smelting capacities of the Skopje Mining, Metallurgical and Manufacturing Combine in order to obtain certain amounts of lead and lead oxide, but the amount that would be pooled from the portion of the resources of the compulsory loan have yet to be defined. The program of Chromos' OOUR "Kutrilin-Dispersion" for reconstruction and enlargement of capacity for production of vinyl acetate monomer from calcium carbide at OHIS [Skopje Organic Chemical Industry] in Skopje has also been given interchamber support, though possibilities are being investigated for increasing the consumption of electric power (Chromos would invest 40 million).

The programs offered in the fields of agriculture and the food manufacturing industry, in whose realization Podravka, Kras, Badel and corresponding partners in SR Macedonia are interested, are to be given specific form in the upcoming direct meeting between business executives, but Badel's initiative to build a wine cellar, including grape processing, at the Radovisko Pole ZIK [Agroindustrial Combine] in Radovis won immediate support (Badel would invest about 110 million). The same is true of construction of a hotel in Skopje (and a subsequent addition to the Metropol Hotel in Ohrid) in which Generalturist would have a share of 166.2 million dinars in an investment project of Interimpeks-Makedonijaturist of Skopje.

Along with these initiatives, which are contained in the platform of SR Croatia, the Macedonian side has proposed the pooling of labor and capital in 13 programs. Of some of them, for example, FENI of Kavadarci (ferronickel and low-alloy steel using nickel), the Boris Kidric Porcelain and Ceramics Factory in Titov Veles (household porcelain) and OHIS (acrylonitrile monomer and fibers from that raw material), that they are undoubtedly acceptable, but that the interest of direct consumers in SR Croatia in their realization would be studied before continuation of the talks.

7045
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STABILIZATION COMMISSION FACING UP TO BUDGET PROBLEMS

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1608, 25 Oct 81 pp 8-9

[Article by Velizar Zecevic: "The Magic Box of Expenditure"]

[Text] Last Thursday and Friday some 30 members of the Commission for Stabilization Problems gathered around a round table in the conference room on the second floor of the Federal Office Building in Belgrade. The seats off to one side provided for newsmen were all taken: no one wanted to miss an occasion to hear and record what would be said and concluded concerning the two "problems of stabilization" singled out for this occasion--the deficit in the balance of payments and the federal budget.

The newsmen's curiosity about the topics which were discussed was understandable. The country's payments deficit, which in everyday business and human communication is manifested as a shortage of foreign exchange, has long been a dilemma and trouble close to practically every Yugoslav--when foreign exchange is lacking, it is a simple fact that many other things are also lacking. Yet neither is the federal budget any unreal and distant depository of "government money," whose collection and expenditure cannot be greatly influenced. The budget is a cash drawer into which nearly 1 dinar out of 10 of the national income flows and from which it ordinarily flows out in several principal directions (the armed forces, veterans' benefits, the underdeveloped regions, the federal administration ...) in the form of a deficit, and more than that.

Without Intermediaries

On this occasion the usual curiosity about the budget and the payments deficit was augmented by the question which had been put back in early October when it was announced that two federal social councils were establishing the Commission for Stabilization Problems--how would it operate?

It was clear at once that this would not be one of the many commissions, one of the many places in which distances are measured off and views brought closer together concerning those economic topics through which the political economy of stabilization is expressed. The prestige of the political positions held by all the members of the commission was appropriate to the importance of the questions scheduled for its discussion, it was stated at the first meeting.

Several members of the State Presidency of Yugoslavia, several chairmen of republic central committees or other officials of the highest republic political bodies, the president of the Yugoslav Assembly, the chairman of the Federal Executive Council--this is undoubtedly a representative body which can take up the outstanding issues in all their complexity. Exactly as they are.

The unpretentious title of the Commission for Problems of Economic Stabilization of course implied that differences on the issues which will be the topic of conversation and debate will be taken up without being tied too closely to narrow interests and conceptions and from viewpoints which point and lead in the direction of unity and common interest. "Our task is to try to agree on something which within the context of differing interests contains that one common interest. It is important that we be unanimous in this. The rest will be achieved thanks to public scrutiny of our proceedings and our accountability to everyone," one of the members of the commission said in its second session.

In the first session of the commission it was also announced that there would be no intermediaries between it and the public. It was stated that it would not issue those special communiques which are published after closed sessions. The doors are open to the newsmen who come to the sessions, they can hear everything, attend all the proceedings, but they have a duty to devote their accounts primarily to the topics being debated, to the problems which are on the agenda, and less to the persons who are the participants in the discussion. This is a practice which has been in effect for a long time now in reporting on the proceedings of federal social councils.

The Budget on Trial

The figures mentioned or used in these sessions need not always be acceptable for publication unless they have been fully verified--this explanation which the newsmen reporting on sessions of federal social councils have long ago accepted and put into effect should also apply in reporting on sessions of the commission. In the second session it was indeed put into effect, but difficulties and disagreements were not lacking: certain figures truly were not for the public, at least not for that part of the public which is inclined to put any imprecision to bad use; there were also times when things were said which could not withstand public verification. How is one to separate one from the other?

The commission's mode of operation, the openness of the sessions to newsmen and the special form of communication with the broad public were still not sufficient to fully explain the commission's place in the structure of self-management and social decisionmaking. Questions on this point were raised not only in the first session, when the commission was introduced, but also in the debates last Thursday and Friday, when in the course of a 20-hour debate procedures were sought for penetrating those areas of agreement and accord on stabilization policy which have up to now been impenetrable and unsusceptible to its basic reasons and needs.

The debate of the budget, which will in the usual way be initiated next month, will show how important what the commission discussed has been and how great a

contribution it will make and how great an impact it will have toward the seeking of new solutions with more boldness and openness.

Actually, the commission did not concern itself with the budget for 1982, with the usual revenue and expenditure items. The magic box of budgetary expenditure was opened from the other side by the question--How to set up an expenditure equation so as on the one hand to satisfy the demands not to infringe upon acquired spending rights and so that on the other budgetary expenditures, as an integral part of distribution of the social product, are reduced?

Today the federal budget, now that certain expenditures have been transferred to the republics, embraces between 7 and 8 percent of the social product, and a designated purpose is assigned in advance to every dinar which goes into it: 60.3 percent to finance the Yugoslav People's Army, 18.9 percent for benefits of disabled veterans and 9.8 percent for special contributions to the underdeveloped regions. The extent of the rights to expenditure, at least as far as these three basic items of budgetary expenditure are concerned, as we know, is established by law, and any reduction in them must be brought about by the same legislative means. Is it possible to speak of stabilization, of reducing the budget's share in the social product, if all these rights are to remain untouched? The winds of inflation are in all of this devaluing the budget just like everything else.

There Are No Vested Rights

"We have to accept and carry out, however painful it might be, a revision of all rights which involve expenditure. There can be no exception, there are no sacred rights. They must all be made subordinate to the vital and fateful goal of economic stabilization."

This was stated and reiterated in the 2-day meeting of the Commission for Problems of Economic Stabilization, which met for the second time in a span of 7 days. This can also stand as a summary of the debate of the federal budget as stated by Sergej Krajger, the commission's chairman. It was at the same time its most important conclusion.

Not a single vested right, not even those established and meted out by law, can be a "sacred" right, not a single one can be used and recognized in all its previous forms and magnitudes, as though nothing had been happening in society and the economy in recent years. This should apply even to the Yugoslav People's Army, to benefits of disabled veterans and to supplemental resources for the underdeveloped republics and Kosovo, that is, even to those "rights" to expenditure which under protection of the law have been treated as a kind of subscription to a certain portion of the national income. Elimination of the "untouchability" of these rights, of their inaccessibility to the reasons and needs of economic stabilization, has also eliminated the remaining elements of indefiniteness and ambiguity in past demands for all expenditure, without any exception, to be brought within the limits of real capabilities, that is, within the available income.

The commission's conclusion was copied down as from dictation, so to speak literally, from life itself, from where the inequities in expenditure are taken as an unjust distribution of the burden of stabilization. Though this was not directly related to the topic which was under discussion, the commission was unable to detour around the fact that in the policy of economic stabilization, which as yet has not been sufficiently studied and has not been given a precise form (does it exist at all?) the moves made so far were mainly those which were compelled and have resulted in a reduction of real personal incomes. The explanation that the reduction of earnings occurred following the euphoric explosion of personal consumption in the seventies, can be an acceptable explanation only if it is accompanied by a proportional reduction of other forms of expenditure as well.

"If budgetary consumption is not optimally reduced to the level afforded by the social product, even a real reduction of real personal incomes will not amount to the necessary contribution to stabilization, but will be its unnecessary victim," it was said in the debate.

Verification of the Conclusions

The conclusions concerning the budget, as well as those concerning the payments deficit, now that they have been adopted in the commission, become an integral part of the atmosphere and of motivation and effectiveness in the conclusion of agreements and accords. The prestige of the political offices held by the members of the commission will certainly have a bearing on the impact and role of its conclusions. Had this not been counted on, there probably would have been no commission.

The conclusions the commission has reached so far on the first two topics which have been on the agenda will in the full sense of the word become a valuable contribution to stabilization only if the political prestige of the commission is perfectly aligned with the internal logic of its conclusions. In other words, if the first assessments of the commission are also accompanied by the first estimates of the value and importance of its work today and its future work, both one and the other will be verified in the life-and-death struggle to get onto the road of stabilization as soon as possible.

7045
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DELEGATE QUESTIONS CONTRADICTORY VIEWS ON FOREIGN DEBT

Belgrade BORBA in Serbo-Croatian 6 Nov 81 p 4

[Article by D Kesic and E Vecovska]

[Text] Several days ago, a delegate's question and its long-awaited answer provoked a debate at a session of the Council of Republics and Provinces of the Yugoslav Assembly, and brought up several sharp issues.

In expressing his dissatisfaction both with the content of the response he had received from the Federal Executive Council and because of the manner in which that answer to his query had been prepared, Zoran Zagar, a delegate from Slovenia, attempted to demonstrate that the institution of delegate's queries in the Yugoslav Assembly had reached a serious crisis.

None of those present at the session of the Council of Republics and Provinces rose to dispute him.

A long Wait

What was Zoran Zagar's question, and what was so caustic in those few sentences? "Has the Federal Executive Council considered the situation that has emerged because of the divergent positions of responsible federation officials? What has it undertaken in that direction to avoid unnecessary consequences that might have their reflections abroad because of those positions?"

Zoran Zagar presented this query on 6 August 1981, pursuant to what were to him the "divergent declarations" of Petar Kostic and Ksenta Bogoeva.

At that time, Zagar said, "For some time now, representatives of the Federal Executive Council have been making public statements about the same matters, but with varying, and at times opposite, content. When these relate to crucial economic trends, this sort of behavior is extremely sensitive. On 15 July this year the federal secretary for finances spoke, and the press, television and other media reported, about the collapse of the Yugoslav balance of payments system, and about repercussions that threatened our liquidity in foreign accounts, as well as the poor evaluation given by the International Monetary Fund mission, so that their credit of 2.1 billion dinars was threatened.....

"On 31 July, however, the governor of the Yugoslav National Bank gave contradictory information on the same topic at a press conference. He said that everything is in the best possible order in credit and monetary policy, even though the initial issue of money had been surpassed by 62 percent. Liquidity in foreign payments is in order, and the Monetary Fund regards our efforts at stabilization positively.

"In conversation with reporters at a press conference on 24 June 1981, the federal secretary for finances commented on Yugoslav indebtedness, saying that the level of indebtedness did not exceed 20 percent, and that the International Monetary Fund considers a country to be overly in debt if this level exceeds the critical point of 25 percent. We have, however, adopted the policy that every year the level of indebtedness is to be reduced by 1 percent. In comparing these public statements on the same topic, relating to national indebtedness and foreign liquidity, it can be determined that they were synchronized and that they evaluate the current situation in this area in the same way.

"At a session of the Legislative and Legal Commission of the Council of Republics and Provinces of the Yugoslav Assembly on 15 July 1981, during consideration of the draft law for a special federal tax for the operations of customs agencies, in his oral presentation the federal secretary for finances spoke about trends that could threaten the country's balance of payments situation, which had a planned deficit of 1,800 million dollars. Failure to realize the planned foreign exchange income was leading to numerous disturbances in the process of capital reproduction and was arousing questions of confidence in world economic and financial circles, and according to data of the Federal Statistical Office, from 1 60 16 July 1981 the trade deficit with convertible currency areas amounted to about 3,859 million dollars. At that time the foreign exchange reserves were below the level established by the Yugoslav Assembly, so that we were not in a position to meet our obligations on time for credits from the International Reconstruction and Development Bank, and other difficulties also began to crop up regarding the payment of foreign obligations. The latter was well-known in some foreign financial circles..."

The Federal Executive Council's answer stressed that the "statements of the federal secretary for finances and the governor of the Yugoslav National Bank were in agreement, and that they were correct for the situation at the time they were made, and not for the trend that was following its course." It stressed that in the statements the "emphasis at the session of the Legislative and Legal Commission of the Council of Republics and Provinces was on a process that needed to be halted in order to avoid the indicated negative consequences..."

A Logical Initiative

In expressing his dissatisfaction with this response, delegate Zoran Zagar said that this behavior serves to prove even further that the institution of delegate's query had reached a crisis, first because an answer comes as a rule only after great delay, without convincing reasons for the slowness, and second, the party to whom the question is addressed directs the bulk of its efforts to prove that the query was unnecessary, not to clarify the situation.

In his subsequent response, Petar Kostic, federal secretary for finances, attempted to show that the response of the Federal Executive Council was absolutely correct, or that the Federal Executive Council's interpretation was correct in saying that

the federal secretary for finances and the governor of the Yugoslav National Bank had given identical statements about the same set of problems. In other words, these statements did not create an awkward and uncertain climate among the people, or damage Yugoslavia's reputation abroad.

It is difficult to say whether the Federal Executive Council's response to Zoran Zagar's query satisfied the delegates of the Council of Republics and Provinces of the Yugoslav Assembly. The always adept Marko Vulc, a delegate from Slovenia, found the right answer: "Since there have been very frequent comments in the public media on the responsibility or lack of it for the numerous declarations by delegates and officials, I suggest that we begin debate at the next session with that issue."

It should not be expected that the assembly debate, which has already been scheduled, will determine precisely whose words in this confrontation are covered, or whether the Federal Executive Council's explanation approached the truth with its conciliatory interpretation that the words of the federal secretary for finances and the governor of the Yugoslav National Bank were not general assessments, but rather a report on the situation of a particular moment.

Nevertheless, certain facts remain that cannot be avoided. Adverse evaluations, even of momentary situations in our payment capabilities and foreign debt status, have created an uncertainty and fear among the people, and this fact was not forgotten by either the delegates or the Federal Executive Council representatives attending the indicated session of the Yugoslav Assembly.

It was also unavoidable that the initiative begun by Marko Vulc should be taken.

For if the lack of responsibility for both statements and behavior has become the manner of operating, and if no one is immune from that irresponsibility, then it would be logical at the same time for the elimination of responsibility to become the manner.

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EARLY START-UP OF POWER PLANT AVERTS CRISIS IN MACEDONIA

Skopje NOVA MAKEDONIJA in Macedonian 26 Nov 81 p 1

[Article by E.R.]

[Text] The serious electric power situation in the Republic of Macedonia, which has been going on for too long, has required the start-up of the Negotino TEC [thermal-electric power plant]. The third stage of limitation of consumption has not been able to achieve the expected results. On the contrary, the situation continues to get worse since the daily needs for electric power are increasing and they cannot be met even by maximum use of all the production capacity.

On the other hand, the reservoirs in the republic are approaching the dangerous minimum and the supply of electric power from the other republics and provinces has been reduced. This was the reason that Elektrostopanstvo of Macedonia sought to have the commission impose drastic reductions in consumption of power by introducing the fifth stage of limitation. Having in mind the serious consequences of the introduction of such drastic limitations on consumption of electric power, where direct consumers would be supplied with 30 to 40 percent less power than the planned needs and general consumption would have to be reduced by 25 percent, which means that each household would be without power for 12 hours every other day, the Executive Committee of the Assembly of Macedonia in a joint session with the large consumers decided to start up the Negotino TEC, which is the first time this has been done with only a single boiler. For the implementation of this decision the consumers will provide $8 million for the purchase of 40,000 tons of mazut.

Putting the Negotino TEC into operation alleviates the current situation. This does not mean, however, that all the problems are solved. The electric power situation in the republic is still unfavorable, which means all consumers will be hurt. Thus the third stage of limitation of consumption of electric power will still remain in force, meaning the direct consumers will continue to be supplied with 15 to 20 percent less than the planned needs. General consumption will from now on be able to be limited by 10 percent, which means in practical terms that households and other consumers will be cut off from electric power for specific periods as it has been up to now.

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BRIEFS

TRANSFORMERS FOR SYRIA--Ohrid, 15 Oct--The first shipment of transformers for Syria was sent today from the Elektromontaza firm in Ohrid. By the end of June 1982, 900 transformers valued at some 6 million West German marks, will be shipped to this Near East country. In fact, this is 50 percent of the total production of this Ohrid factory which will sell 70 percent of its total transformer production to hard currency markets in 1982. For the next 3 months several of the Elektromontaza factories will concentrate on work for export. Insulators and jumping cams will be delivered to the Federal Republic of Germany and a significant quantity, worth about $7,500, will also be shipped to Albania. [Text] [Skopje NOVA MAKEDONIJA in Macedonian 16 Oct 81 p 1]

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